

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)
ELECTRIC RATES OF) **CASE NO.**
KENTUCKY POWER COMPANY) **2005-00341**

DIRECT TESTIMONY
AND EXHIBITS
OF
STEPHEN J. BARON

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

January 2006

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DIRECT TESTIMONY OF STEPHEN J. BARON

I. QUALIFICATIONS AND SUMMARY

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Q. Please state your name and business address.

A. My name is Stephen J. Baron. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. What is your occupation and by whom are you employed?

A. I am the President and a Principal of Kennedy and Associates, a firm of utility rate, planning, and economic consultants in Atlanta, Georgia.

1 **Q. Please describe briefly the nature of the consulting services provided by**
2 **Kennedy and Associates.**

3 A. Kennedy and Associates provides consulting services in the electric and gas utility
4 industries. Our clients include state agencies and industrial electricity consumers.
5 The firm provides expertise in system planning, load forecasting, financial analysis,
6 cost-of-service, and rate design. Current clients include the Georgia and Louisiana
7 Public Service Commissions, and industrial consumer groups throughout the United
8 States.

9
10 **Q. Please state your educational background.**

11
12 A. I graduated from the University of Florida in 1972 with a B.A. degree with high
13 honors in Political Science and significant coursework in Mathematics and
14 Computer Science. In 1974, I received a Master of Arts Degree in Economics, also
15 from the University of Florida. My areas of specialization were econometrics,
16 statistics, and public utility economics. My thesis concerned the development of an
17 econometric model to forecast electricity sales in the State of Florida, for which I
18 received a grant from the Public Utility Research Center of the University of
19 Florida. In addition, I have advanced study and coursework in time series analysis
20 and dynamic model building.

1

2 **Q. Please describe your professional experience.**

3

4 A. I have more than thirty years of experience in the electric utility industry in the areas
5 of cost and rate analysis, forecasting, planning, and economic analysis.

6

7 Following the completion of my graduate work in economics, I joined the staff of
8 the Florida Public Service Commission in August of 1974 as a Rate Economist. My
9 responsibilities included the analysis of rate cases for electric, telephone, and gas
10 utilities, as well as the preparation of cross-examination material and the preparation
11 of staff recommendations.

12

13 In December 1975, I joined the Utility Rate Consulting Division of Ebasco Services,
14 Inc. as an Associate Consultant. In the seven years I worked for Ebasco, I received
15 successive promotions, ultimately to the position of Vice President of Energy
16 Management Services of Ebasco Business Consulting Company. My
17 responsibilities included the management of a staff of consultants engaged in
18 providing services in the areas of econometric modeling, load and energy
19 forecasting, production cost modeling, planning, cost-of-service analysis,
20 cogeneration, and load management.

1
2 I joined the public accounting firm of Coopers & Lybrand in 1982 as a Manager of
3 the Atlanta Office of the Utility Regulatory and Advisory Services Group. In this
4 capacity I was responsible for the operation and management of the Atlanta office.
5 My duties included the technical and administrative supervision of the staff,
6 budgeting, recruiting, and marketing as well as project management on client
7 engagements. At Coopers & Lybrand, I specialized in utility cost analysis,
8 forecasting, load analysis, economic analysis, and planning.

9
10 In January 1984, I joined the consulting firm of Kennedy and Associates as a Vice
11 President and Principal. I became President of the firm in January 1991.

12
13 During the course of my career, I have provided consulting services to more than
14 thirty utility, industrial, and Public Service Commission clients, including three
15 international utility clients.

16
17 I have presented numerous papers and published an article entitled "How to Rate
18 Load Management Programs" in the March 1979 edition of "Electrical World." My
19 article on "Standby Electric Rates" was published in the November 8, 1984 issue of
20 "Public Utilities Fortnightly." In February of 1984, I completed a detailed analysis

1 entitled "Load Data Transfer Techniques" on behalf of the Electric Power Research
2 Institute, which published the study.

3
4 I have presented testimony as an expert witness in Arizona, Arkansas, Colorado,
5 Connecticut, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Michigan,
6 Minnesota, Maryland, Missouri, New Jersey, New Mexico, New York, North
7 Carolina, Ohio, Pennsylvania, Texas, West Virginia, Federal Energy Regulatory
8 Commission and in United States Bankruptcy Court. A list of my specific
9 regulatory appearances can be found in Baron Exhibit ____ (SJB-1)

10
11 **Q. Have you previously presented testimony before the Kentucky Public Service**
12 **Commission?**

13
14 **A. Yes. I have testified before the Commission on nine previous occasions during the**
15 **past twenty-five years.**

16
17 **Q. On whose behalf are you testifying in this proceeding?**

1 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc.
2 ("KIUC"). KIUC members take service on a number of KPCo rate schedules,
3 primarily on rates CIP-TOD and QP.
4

5 **Q. What is the purpose of your testimony?**

6
7 A. I will address issues related to the Company's filed class cost of service study, the
8 allocation of the requested increase among rate schedules, the test year level of PJM
9 OATT transmission revenue credits and the Company's estimated test year level of
10 net congestion costs associated with the AEP's participation in PJM.
11

12 With regard to the cost of service and revenue increase allocation issues, KPCo has
13 filed a 12 coincident peak ("12 CP") class cost of service study in this case. The
14 results of this study indicate that all of the Company's rate classes except the
15 residential class are paying subsidies, while the residential rate class is receiving
16 substantial subsidies at current rates.¹ KPCo is proposing to reduce subsidies paid
17 and received by each rate class by 10% in this case. I will address this proposal and
18 discuss KIUC's recommendation to reduce current subsidies by 25%. I will also
19 present the results of a number of alternative cost of services studies, all of which

¹ As will be discussed subsequently in my testimony, under the Company's filed class cost of service study, the residential class is paying a negative rate of return on rate base (i.e., rate RS customers are not even covering the operating expenses associated with their electric service).

1 confirm the substantial subsidies being paid by other rate classes to the residential
2 class.

3
4 The next issue that I address concerns the Company's estimated test year level of
5 revenue credits associated with KPCo's share of AEP point-to-point ("PTP") and
6 non-affiliated network transmission service ("NTS") sales of transmission service to
7 third parties. In this case, the Company is proposing to utilize a pro-forma level of
8 revenue credits based on projections of 2006 expected sales levels. I will propose
9 an alternative level of transmission related revenue credits based on an updated
10 projection of 2006 sales. Since these sales revenues are treated as a revenue credit
11 for ratemaking purposes, an increase in the credit acts to reduce the Company's
12 requested overall revenue increase.

13
14 The final issue that I address concerns KPCo's estimated 2006 level of net
15 congestion costs. These net congestion costs reflect the net impact of expected
16 Financial Transmission Rights ("FTRs") and implicit congestion costs. KPCo has
17 estimated 2006 net congestion costs and included this cost (which in the test year is
18 actually negative and thus a credit to cost of service) in overall revenue
19 requirements. I will discuss the Company's estimation method and propose an
20 alternative based on updated, more recent actual experience.²

² KIUC witness Lane Kollen will discuss the Company's proposal for a net congestion cost rider.

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Q. Would you please summarize your recommendations in this case?

A. Yes,

- For the purposes of setting rates and allocating the authorized increase in this case, the Company's filed 12 CP cost of service study is reasonable. However, the Company's proposal to reduce interclass subsidies by 10% in this case is an inadequate response to the large disparities that currently exist between rates and cost of service.
- The Commission authorized revenue increase in this case should be allocated to rate classes in a manner designed to reduce current rate subsidies paid and received by each rate class by 25%. The Company's "12 CP" class cost of service study shows that the residential class is paying a rate of return on rate base of negative 0.09%. The residential class is currently receiving almost \$25 million annually in subsidies from other KPCo rate classes.
- The "12 CP" cost of service study results are confirmed in three additional cost studies (average and excess, winter CP and summer/winter CP). In each of these three alternative studies, the subsidies paid by other rate classes to the residential class are shown to be substantial. The subsidies paid to the residential class by the Company's other customers are in the range of \$25 to \$38 million annually under all four cost of service studies. This subsidy represents nearly 25% of the total amount paid by residential customers.
- If, as recommend by KIUC, the Commission authorizes a lower revenue increase than requested by the Company, KIUC recommends that the increase be allocated in a manner (as shown later in my testimony) to reduce current rate subsidies by 25%.

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- The Company's test year level of point-to-point and Network transmission service revenue credits are understated, since they do not reflect the "third step" AEP OATT rate increase recently agreed to by parties in a FERC rate proceeding. The impact of this adjustment is to increase the test year revenue credits by \$402,265 (total Company).

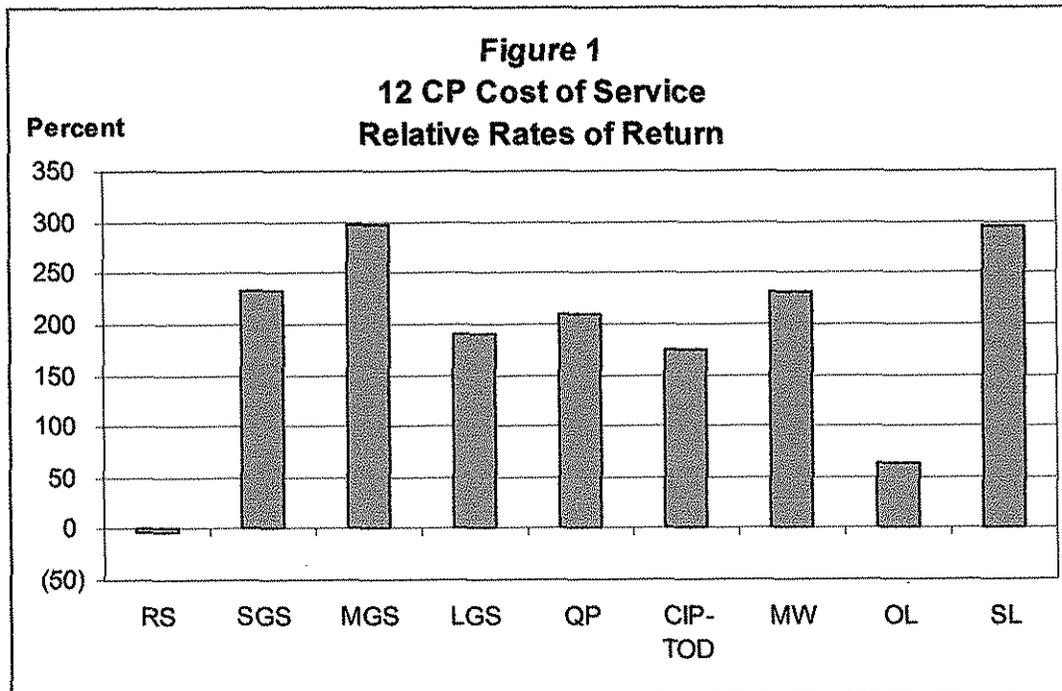
- The Company's net congestion costs, which are negative and thus reduce overall cost of service, should be adjusted to reflect more recent actual data. Using the Company's projection methodology, updated to include recent actual data through October 2005, increases the negative net congestion costs by \$2,141,276 (total Company).

1 **II. CLASS COST OF SERVICE STUDY ISSUES AND THE ALLOCATION OF**
2 **THE AUTHORIZED REVENUE INCREASE TO RATE CLASSES**
3

4 **Q. Would you please discuss the results of the Company's filed class cost of**
5 **service study?**

6
7 A. Yes. The Company has filed a 12 CP class cost of service study for the 12 months
8 ended June 30, 2005. The results of this test year study indicate that the residential
9 class has a rate of return on rate base of -0.09%, which means that residential
10 customers did not pay sufficient revenues during the test year to cover the operating
11 expenses associated with their usage of power from KPCo, let alone a return on the
12 invested capital (generating units, transmission plant, distribution facilities) built to
13 serve these customers. Rather, KPCo's return on investment built to serve
14 residential customers was provided by all of the other KPCo rate classes (SGS,
15 MGS, LGS, QP, CIP-TOD, MW, OL and SL).

16
17 Figure 1 below shows a graph of the test year relative rates of return produced by
18 each rate class using the results of the Company's analysis.
19



1

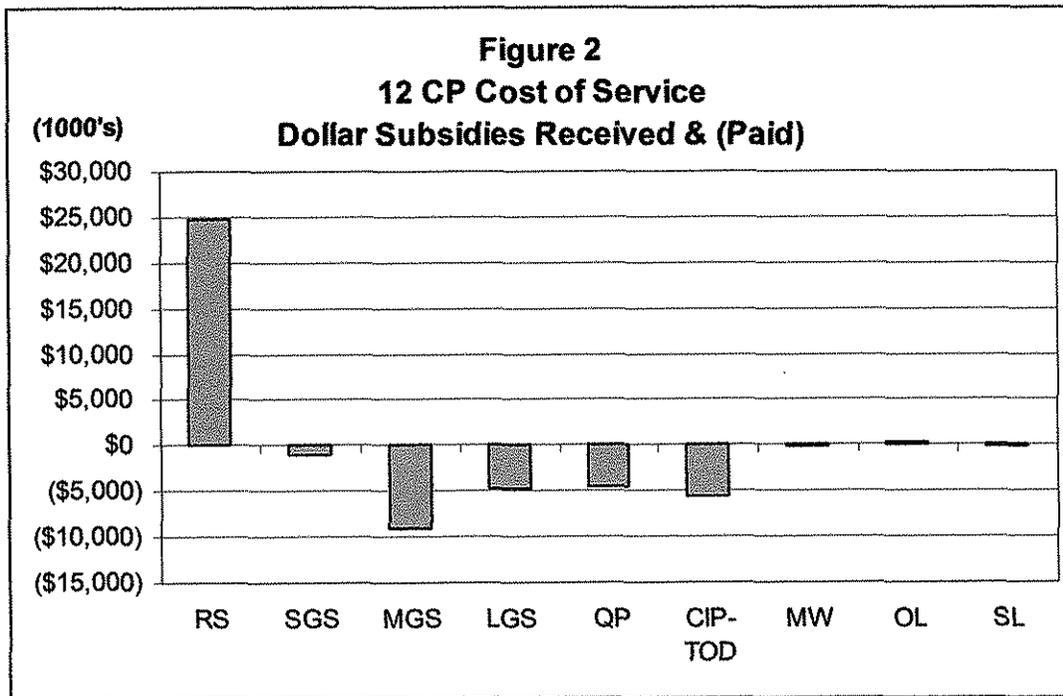
2

3 **Q. How does this translate into dollar subsidies paid by each of the other rate**
4 **classes to support the residential class?**

5

6 A. Figure 2 below shows a chart of the dollar subsidies paid and received by each rate
7 class, using the results of the Company's own study. As can be seen, the residential
8 class received test year rate subsidies of \$24.7 million. This represents about 19%
9 of total residential revenues. Rate schedules CIP-TOD and QP paid about \$10
10 million of this subsidy. Effectively, rates CIP-TOD and QP overpaid by more than
11 \$10 million during the 12 months ended June 2005.

12



1

2

3 **Q. Have you been able to confirm the results of the Company's 12 CP cost of**
4 **service study using your own independent cost of service model?**

5

6 **A. Yes. We have independently developed a 12 CP cost of service model using the**
7 **input data provided by the Company in this case. Baron Exhibit__ (SJB-2) contains**
8 **the results of our independent replication of the KPCo cost of service study. The**
9 **results of this analysis are identical to the Company's cost of service study and**
10 **confirm that the KPCo modeling and formulas behave as stated by the Company.**
11 **Based on our independent analysis, the Company's cost of service study is a**

1 reasonable basis to inform the Commission regarding the relationship between
2 current rates and cost of service for each of the Company's rate schedules.

3
4 **Q. Would the conclusion be similar using alternative cost of service**
5 **methodologies?**

6
7 A. Yes. In order to confirm that the subsidies identified by the KPCo 12 CP cost of
8 service study are valid, I developed three alternative cost of service studies using
9 generally accepted methodologies that are recognized in the NARUC Electric Cost
10 Allocation Manual. These studies are:

- 11 1. Average and Excess Demand ("A&E")
- 12 2. Single Winter CP ("1 CP")
- 13 3. Summer/Winter Average CP ("S/W CP")

14
15 **Q. Would you describe the methodology that you used to develop each of these**
16 **alternative studies?**

17
18 A. Each of the cost of service studies is based on the Company's filed 12 CP study,
19 appropriately adjusted to reflect the alternative production demand allocation
20 method (A&E, 1 CP, S/W CP versus the Company's 12 CP method). Except for

1 the change in the production demand allocation method, each of the studies is
2 identical to the 12 CP study filed by KPCo.

3
4 The first alternate cost of service study utilizes a traditional average and excess
5 demand method ("A&E"). This traditional cost of service method allocates demand
6 related costs based on each class's contribution to average demands and the class
7 contribution to excess demands, which is defined as the class peak mW in excess of
8 the average demand mW for the class. The calculation of each class's allocation
9 factor is two-fold. First, production demand costs are assigned into two functional
10 categories, a function that will be allocated based on "average class kW demand"
11 and a function allocated on "excess" demand. The costs that are allocated using
12 class contribution to average demand is the amount equal to the system load factor
13 (in percent) times the total production demand costs. The remaining amount of
14 production demand related costs $[(1 - \text{load factor}) \text{ times total demand costs}]$ is
15 allocated on each classes' relative excess demand. Excess demand is defined as the
16 class non-coincident peak minus the class average demand.

17
18 **Q. What is the rationale for the A&E methodology?**
19

1 A. The A&E method recognizes that production demand costs are incurred for both
2 energy and demand requirements. The percentage of production demand costs
3 equal to the system load factor are allocated to rate classes on the basis of average
4 class demand (equivalent to energy usage), adjusted for losses. For the remaining
5 amount of costs, the allocation is based on each customer classes' excess demand.
6 Though this excess demand is based on the class non-coincident peak, rather than
7 the coincident peak, it is a measure of the relative load factor of the class compared
8 to the system load factor. For a 100% load factor customer, for example, the excess
9 demand would be zero and there would be no allocation of the excess component of
10 costs. One of the reasons why the class non-coincident demand is used for the
11 excess portion is that if the class coincident peak demand is used, the A&E method
12 becomes identical to a single coincident peak method.

13

14 **Q. Would you describe the two additional coincident peak methods that you have**
15 **developed?**

16

17 A. Yes. The first of these studies is a traditional single, annual coincident peak
18 methodology ("1 CP"). This cost of service approach allocates production demand
19 costs on the basis of each class contribution to the annual peak. During the test
20 year, the annual KPCo system peak occurred during the month of December. The

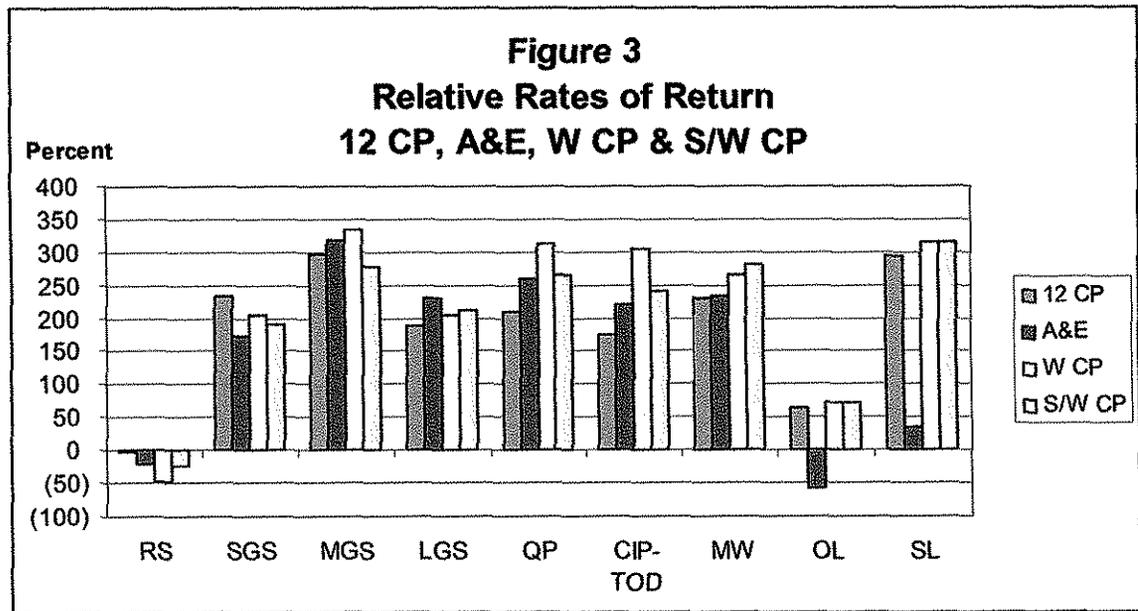
1 rationale behind the 1 CP methodology is that the driving factor for the incurrence
2 of generation plant is the annual peak demand requirement of KPCo's customers.
3 In fact, under the AEP capacity equalization formula, KPCo's load responsibility is
4 its maximum annual coincident demand, compared to the corresponding demands
5 of other AEP East Companies.

6
7 Though KPCo is a winter peaking company, the AEP system itself is expected to
8 continue to peak in during the summer months, as is PJM in total. Thus, the
9 rationale for a combined summer/winter peak demand allocation methodology is to
10 recognize the impact of the AEP system and the PJM RTO as a whole, on planning
11 requirements and costs.

12
13 **Q. Would you please discuss the results of your alternative class cost of service**
14 **studies?**

15
16 A. Baron Exhibits (SJB-3) through (SJB-5) contain summary schedules for each of the
17 three alternative cost of service studies. As can be seen from these exhibits, the
18 substantial disparities in rate of return that are shown in the Company's 12 CP cost
19 study are confirmed in the results for the three alternative studies. Figure 3 below

1 shows the relative rates of return for each rate class under the 12 CP KPCo study
2 and each of the three alternative studies.
3



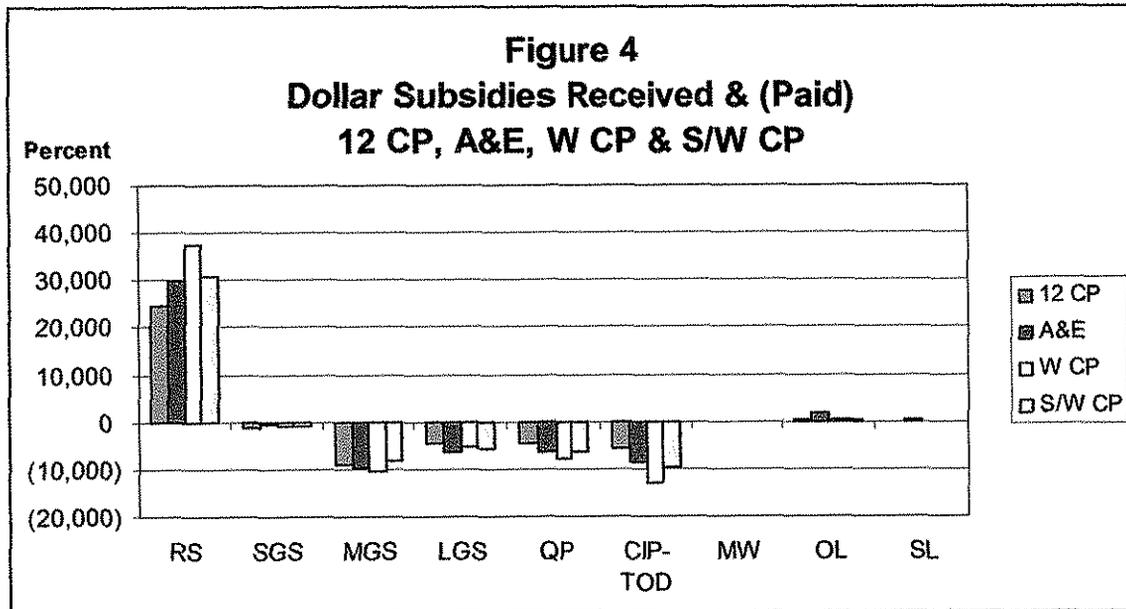
4

5 **Q. Are the dollar subsidies paid to the residential class confirmed by the**
6 **alternative cost of service studies?**

7

8 **A. Yes. Figure 4 below is a chart showing the dollar subsidies under each of the cost**
9 **of service studies (12 CP and the three alternatives that I developed). As can be**
10 **seen clearly, the subsidies paid by the other rate classes to the residential class**
11 **ranges from \$25 million to \$38 million annually under the four studies. This**
12 **represents nearly 25% of the total revenues of the residential class. The subsidies**

1 paid by rate schedules QP and CIP-TOD range from \$10 million to \$21 million
2 annually.
3



4
5 **Q. What are the implications of these results for revenue allocation in this case?**

6
7 A. As should be obvious from these results, KPCo's rates are substantially out of line
8 with cost of service. The Company's large commercial and industrial customers on
9 rate schedules QP and CIP-TOD are paying substantial amounts (as much as \$21
10 million annually) in excess of the cost of providing these customers electric power.
11 Given the infrequency of rate cases, this case presents a unique opportunity for the
12 Commission to address this substantial subsidy problem.
13

1 **Q. Has the Company offered a proposal to adequately address the large**
2 **disparities between its rates and the underlying cost of service?**

3
4 A. No. KPCo is proposing to reduce subsidies paid and received currently by 10% in
5 its recommended revenue increases to each rate class. The result, of course, is that
6 after the increase in this case, each rate class will continue to pay (or in the case of
7 the residential class, receive) subsidies of 90% of the current level. I believe that
8 the Company's subsidy reduction proposal is inadequate, given the disparities
9 shown in the Company's cost of service studies and in the three alternative studies
10 that I have presented.

11
12 **Q. What is your recommendation to reduce subsidies in this case?**

13
14 A. I am recommending a 25% subsidy reduction using the results of the Company's
15 filed 12 CP cost of service study. Baron Exhibit (SJB-6) presents the results of a
16 revenue increase distribution using a 25% current subsidy reduction criterion. The
17 methodology that is shown in Exhibit__ (SJB-6) is the same as the Company's
18 proposal except that each rate class is assigned an increase based on a 25% subsidy
19 reduction instead of the KPCo proposed 10% reduction. Table 1 below presents the

1 proposed revenue increases for each rate class assuming that the Company's
2 requested overall revenue increase level is implemented.³
3

<u>Class</u>	<u>Increase</u>	<u>Percent</u>
RS	\$ 39,220,519	30.15
SGS	821,036	12.84
MGS	3,978,447	9.93
LGS	6,013,161	14.44
QP	4,526,491	11.60
CIP-TOD	8,678,007	11.70
MW	45,278	12.34
OL	1,405,648	29.43
SL	<u>107,653</u>	<u>13.19</u>
Total	\$ 64,796,240	19.21

4
5 **Q. If the Commission accepts your recommendation for a 25% subsidy reduction**
6 **in proposed rates, what will the going-forward level of subsidies be for each**
7 **rate class?**

8
9 A. Table 2 below shows the levels of subsidies that will continue in proposed rates if
10 the KIUC recommendation is implemented. Also shown in the table is the level of
11 subsidies that will continue if the Company's recommendation is adopted. As can
12 be seen, even if the KIUC 25% subsidy reduction recommendation is adopted, the

³ As discussed by KIUC witness Kollen, KIUC is recommending a substantially smaller overall increase in KPCo's rates.

1 amount of subsidies that will continue to be paid will be substantial. For example,
2 customers in rate classes QP and CIP-TOD, on which KIUC members take the
3 largest portion of their service, will pay \$7.5 million in subsidies each year, even if
4 the KIUC recommendation is adopted by the Commission. Though, ideally, this
5 level of subsidy payment should also be eliminated, KIUC recognizes that it is not
6 feasible, from a rate impact standpoint, to eliminate all subsidies in a single rate
7 proceeding.

8
Table 2
Remaining Subsidies at Proposed Rates
(12 CP Study)

	<u>KIUC</u>	<u>KPCo</u>
RS	\$ 18,559,248	\$ 22,271,098
SGS	\$ (784,443)	\$ (941,332)
MGS	\$ (6,761,824)	\$ (8,114,189)
LGS	\$ (3,513,789)	\$ (4,216,547)
QP	\$ (3,405,677)	\$ (4,086,812)
CIP-TOD	\$ (4,132,886)	\$ (4,959,463)
MW	\$ (42,478)	\$ (50,973)
OL	\$ 260,524	\$ 312,629
SL	\$ (178,676)	\$ (214,411)

9
10
11 **Q. Have you developed a recommended revenue allocation that would be**
12 **applicable in the event that the Commission authorizes KPCo a smaller**
13 **revenue requirement increase than it has requested?**

1 A. Yes. Assuming that the final authorized revenue increase level is lower than the
2 Company's requested \$65 million, KIUC recommends that the increase be allocated
3 in a manner consistent with a 25% subsidy reduction. Baron Exhibit__(SJB-7)
4 develops an allocation of a hypothetical increase of \$32.4 million (half of the
5 Company's requested increase in this case), using the KIUC recommended 25%
6 subsidy reduction approach. Table 3 below shows a summary of the impacts for this
7 level of hypothetical overall revenue increase. KIUC recommends that this
8 approach be adopted by the Commission to allocate the final authorized revenue
9 increase to rate classes in this case.

10

Table 3
Revenue Increases @ 25% Subsidy Reduction
(assumes KPCo receives a \$32.4 Million increase)

<u>Class</u>	<u>Increase</u>	<u>Percent</u>
RS	\$22,703,467	17.45
SGS	279,777	4.37
MGS	862,253	2.15
LGS	2,420,949	5.81
QP	1,695,632	4.35
CIP-TOD	3,650,190	4.92
MW	15,560	4.24
OL	746,244	15.62
SL	<u>24,047</u>	<u>2.95</u>
Total	\$32,398,119	9.60

11

12

1 **Q. KIUC is proposing that the Commission adopt a specific methodology in this**
2 **case to address the subsidy problem that you have identified in KPCo's rates.**
3 **Do you believe that your proposal to reduce subsidies by 25% is consistent**
4 **with the economic development objectives of the State of Kentucky?**

5
6 A. Yes. The Kentucky Cabinet for Economic Development ("KCED") has issued a
7 White Paper that specifically addresses the significance of low cost electricity in
8 Kentucky as a factor in attracting and keeping industry in the State. According to
9 the White Paper:

10 **"In Kentucky, we provide a wealth of information about power for**
11 **companies considering us in the site selection process. And we are**
12 **often asked about it since we have been ranked the least expensive for**
13 **industrial users of electricity, Strong said"** [*Shedding Light on Energy:*
14 *How Supply and Costs Affect Business Decisions*, KCED White Paper,
15 http://www.thinkkentucky.com/kyedc/pdfs/Whitepaper_energy.pdf.]
16

17
18 In this case, KIUC is only requesting that the Commission recognize that the
19 reduction of subsidies is a reasonable policy objective and that it should be
20 implemented gradually (25% reduction) beginning in this case.

21
22 KIUC believes that it should be a long-term goal of the Commission to reduce and
23 eventually eliminate all of the subsidies paid by KPCo's customers, particularly
24 large customers who face competition from others who reside outside the KPCo
25 system.

1 of the Wyoming-Jacksons Ferry 765 kV line. Since the Company is reflecting a
2 going-forward level of transmission revenues as credits to test year cost of service,
3 it is appropriate to use the best estimate of future revenue levels to establish the base
4 case revenue requirement in this case. The August, third-step AEP transmission
5 rates should be used to calculate an equilibrium level of transmission revenues for
6 retail ratemaking purposes. Baron Exhibit __ (SJB-8) contains a copy of AEP's
7 motion requesting approval to implement its settlement rates. In paragraph 3(c) of
8 the motion, the Phase 3 rate increase, to be effective on or after August 1, 2006 is
9 discussed. This exhibit has also been provided in this KPCo case in response to
10 PSC 2nd Set Data Requests, Item 22, pages 48 to 53. As can be seen in paragraph
11 3(c), the PTP and NTS rates increase to \$1,757.40/MW-month on August 1, 2006.
12 This compares to the April 1, 2006 rate used by KPCo in its calculation of PTP and
13 NTS revenues of \$1,621.40/MW-month.

14
15 **Q. Have you developed an adjusted level of PTP and NTS revenue credits for use**
16 **in this case?**

17
18 A. Yes. Baron Exhibit __ (SJB-9), pages 1 and 2, contains a revised analysis of KPCo
19 PTP and NTS revenues using the third-step AEP transmission rates to set test year
20 revenue credits. The table below shows the impact of this adjustment.

1

2

	<u>As Filed</u>	<u>KIUC Adjusted</u>	<u>Difference</u>
PTP Revenues	\$ 460,461	\$ 490,188	\$ 29,727
NTS Revenues	<u>\$ 4,441,405</u>	<u>\$ 4,813,943</u>	\$ 372,538
Total	\$ 4,901,866	\$ 5,304,131	<u>\$ 402,265</u>

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IV. NET CONGESTION COSTS

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Q. Have you reviewed the Company's methodology to estimate test year net congestion costs?

A. Yes. As described by KPCo witness Robert Bradish, the Company estimated net congestion costs using a projection of calendar year 2006 implicit congestion costs of \$4,958,940 and Financial Transmission Right ("FTR") revenues of \$7,961,292. The net of these amounts, (\$3,002,352), is credited to KPCo revenue requirements and is designated as net congestion revenues.

Q. How did the Company project 2006 implicit congestion costs and FTR revenues?

A. According to Mr. Bradish's testimony and the workpapers supporting exhibit (RWB-2), the Company projected 2006 net congestion costs using the average historical levels of implicit congestion costs and FTR revenues for the nine month period October 2004 through June 2005. The Company used the nine-month average to project costs and revenues for January 2006 through May 2006. These

1 averages were then adjusted to reflect the impact of the in-service of the Wyoming-
2 Jacksons Ferry 765 kV line for the remainder of 2006.

3
4 **Q. Do you agree with the Company's methodology to estimate 2006 net**
5 **congestion costs?**

6
7 A. I agree with the Company's approach, in part. Though the methodology appears to
8 be reasonable, it is appropriate to use more recent historical data for the purpose of
9 developing the 2006 projection. KPCo provided actual 2005 data through October
10 2005 in response to Staff 2nd set, Item No. 33, pages 3 and 7, and in response to
11 AG 1st set, Item No. 62, page 5. I have used this more recent information to
12 update the Company's analysis. Baron Exhibit__(SJB-10) contains an updated
13 projection of 2006 net congestion costs using the Company's methodology. It is
14 based on historical implicit congestion costs and FTR revenues for the 12 month
15 period November 2004 through October 2005. In all other respects, the analysis
16 is the same as used by Mr. Bradish to develop his estimate.

17
18 **Q. What is the impact of your updated analysis of net congestion costs?**
19

1 A. As shown in the bottom right hand portion of exhibits (SJB-9), using the updated
2 historical data, the estimated KPCo net congestion costs increase from (\$3,002,352)
3 to (\$5,143,627) for 2006. This is an increase in the credit to test year cost of service
4 of \$2,141,276 (total Company).

5

6 **Q. Does that complete your testimony?**

7

8 A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBITS

OF

STEPHEN J. BARON

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

January 2006

1 **Q. Has the Company offered a proposal to adequately address the large**
2 **disparities between its rates and the underlying cost of service?**

3
4 A. No. KPCo is proposing to reduce subsidies paid and received currently by 10% in
5 its recommended revenue increases to each rate class. The result, of course, is that
6 after the increase in this case, each rate class will continue to pay (or in the case of
7 the residential class, receive) subsidies of 90% of the current level. I believe that
8 the Company's subsidy reduction proposal is inadequate, given the disparities
9 shown in the Company's cost of service studies and in the three alternative studies
10 that I have presented.

11
12 **Q. What is your recommendation to reduce subsidies in this case?**

13
14 A. I am recommending a 25% subsidy reduction using the results of the Company's
15 filed 12 CP cost of service study. Baron Exhibit (SJB-6) presents the results of a
16 revenue increase distribution using a 25% current subsidy reduction criterion. The
17 methodology that is shown in Exhibit__ (SJB-6) is the same as the Company's
18 proposal except that each rate class is assigned an increase based on a 25% subsidy
19 reduction instead of the KPCo proposed 10% reduction. Table 1 below presents the

1 proposed revenue increases for each rate class assuming that the Company's
2 requested overall revenue increase level is implemented.³
3

<u>Class</u>	<u>Increase</u>	<u>Percent</u>
RS	\$ 39,220,519	30.15
SGS	821,036	12.84
MGS	3,978,447	9.93
LGS	6,013,161	14.44
QP	4,526,491	11.60
CIP-TOD	8,678,007	11.70
MW	45,278	12.34
OL	1,405,648	29.43
SL	<u>107,653</u>	<u>13.19</u>
Total	\$ 64,796,240	19.21

4
5 **Q. If the Commission accepts your recommendation for a 25% subsidy reduction**
6 **in proposed rates, what will the going-forward level of subsidies be for each**
7 **rate class?**

8
9 A. Table 2 below shows the levels of subsidies that will continue in proposed rates if
10 the KIUC recommendation is implemented. Also shown in the table is the level of
11 subsidies that will continue if the Company's recommendation is adopted. As can
12 be seen, even if the KIUC 25% subsidy reduction recommendation is adopted, the

³ As discussed by KIUC witness Kollen, KIUC is recommending a substantially smaller overall increase in KPCo's rates.

1 amount of subsidies that will continue to be paid will be substantial. For example,
2 customers in rate classes QP and CIP-TOD, on which KIUC members take the
3 largest portion of their service, will pay \$7.5 million in subsidies each year, even if
4 the KIUC recommendation is adopted by the Commission. Though, ideally, this
5 level of subsidy payment should also be eliminated, KIUC recognizes that it is not
6 feasible, from a rate impact standpoint, to eliminate all subsidies in a single rate
7 proceeding.
8

	<u>KIUC</u>	<u>KPCo</u>
RS	\$ 18,559,248	\$ 22,271,098
SGS	\$ (784,443)	\$ (941,332)
MGS	\$ (6,761,824)	\$ (8,114,189)
LGS	\$ (3,513,789)	\$ (4,216,547)
QP	\$ (3,405,677)	\$ (4,086,812)
CIP-TOD	\$ (4,132,886)	\$ (4,959,463)
MW	\$ (42,478)	\$ (50,973)
OL	\$ 260,524	\$ 312,629
SL	\$ (178,676)	\$ (214,411)

9
10
11 **Q. Have you developed a recommended revenue allocation that would be**
12 **applicable in the event that the Commission authorizes KPCo a smaller**
13 **revenue requirement increase than it has requested?**
14

1 A. Yes. Assuming that the final authorized revenue increase level is lower than the
2 Company's requested \$65 million, KIUC recommends that the increase be allocated
3 in a manner consistent with a 25% subsidy reduction. Baron Exhibit__(SJB-7)
4 develops an allocation of a hypothetical increase of \$32.4 million (half of the
5 Company's requested increase in this case), using the KIUC recommended 25%
6 subsidy reduction approach. Table 3 below shows a summary of the impacts for this
7 level of hypothetical overall revenue increase. KIUC recommends that this
8 approach be adopted by the Commission to allocate the final authorized revenue
9 increase to rate classes in this case.

10

Table 3
Revenue Increases @ 25% Subsidy Reduction
(assumes KPCo receives a \$32.4 Million increase)

<u>Class</u>	<u>Increase</u>	<u>Percent</u>
RS	\$22,703,467	17.45
SGS	279,777	4.37
MGS	862,253	2.15
LGS	2,420,949	5.81
QP	1,695,632	4.35
CIP-TOD	3,650,190	4.92
MW	15,560	4.24
OL	746,244	15.62
SL	<u>24,047</u>	<u>2.95</u>
Total	\$32,398,119	9.60

11

12

1 **Q. KIUC is proposing that the Commission adopt a specific methodology in this**
2 **case to address the subsidy problem that you have identified in KPCo's rates.**
3 **Do you believe that your proposal to reduce subsidies by 25% is consistent**
4 **with the economic development objectives of the State of Kentucky?**

5
6 **A. Yes. The Kentucky Cabinet for Economic Development ("KCED") has issued a**
7 **White Paper that specifically addresses the significance of low cost electricity in**
8 **Kentucky as a factor in attracting and keeping industry in the State. According to**
9 **the White Paper:**

10 **"In Kentucky, we provide a wealth of information about power for**
11 **companies considering us in the site selection process. And we are**
12 **often asked about it since we have been ranked the least expensive for**
13 **industrial users of electricity, Strong said" [Shedding Light on Energy:**
14 **How Supply and Costs Affect Business Decisions, KCED White Paper,**
15 **http://www.thinkkentucky.com/kyedc/pdfs/Whitepaper_energy.pdf.]**
16

17
18 In this case, KIUC is only requesting that the Commission recognize that the
19 reduction of subsidies is a reasonable policy objective and that it should be
20 implemented gradually (25% reduction) beginning in this case.

21
22 KIUC believes that it should be a long-term goal of the Commission to reduce and
23 eventually eliminate all of the subsidies paid by KPCo's customers, particularly
24 large customers who face competition from others who reside outside the KPCo
25 system.

III. PJM TRANSMISSION REVENUE CREDITS

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Q. Have you reviewed the Company's analysis that it used to develop KPCo's share of test year PJM transmission revenue credits?

A. Yes. As discussed by KPCo witness Dennis Bethel, KPCo estimated its member load ratio ("MLR") share of AEP's projected calendar year 2006 revenues from sales of point-to-point ("PTP") and network transmission service ("NTS") to third party transmission customers. As shown in his exhibit DWB-1, the Company estimated calendar year 2006 PTP revenues for KPCo to be \$460,461 and NTS revenues to be \$4,441,405. The methodology adjusts historic revenues to reflect the AEP East PJM settlement transmission rates agreed to in FERC Docket No. ER05-751.

Q. Do you have any concerns regarding the Company's methodology to estimate these transmission revenue credits?

A. Yes. As shown in Mr. Bethel's exhibits, the Company used the settlement rates that will be effective on April 1, 2006 to adjust the historic level of PTP and non-AEP NTS revenues. However, according to the settlement documents, there will be a third-step rate increase occurring on or about August 2006 to reflect the in-service

1 of the Wyoming-Jacksons Ferry 765 kV line. Since the Company is reflecting a
2 going-forward level of transmission revenues as credits to test year cost of service,
3 it is appropriate to use the best estimate of future revenue levels to establish the base
4 case revenue requirement in this case. The August, third-step AEP transmission
5 rates should be used to calculate an equilibrium level of transmission revenues for
6 retail ratemaking purposes. Baron Exhibit__(SJB-8) contains a copy of AEP's
7 motion requesting approval to implement its settlement rates. In paragraph 3(c) of
8 the motion, the Phase 3 rate increase, to be effective on or after August 1, 2006 is
9 discussed. This exhibit has also been provided in this KPCo case in response to
10 PSC 2nd Set Data Requests, Item 22, pages 48 to 53. As can be seen in paragraph
11 3(c), the PTP and NTS rates increase to \$1,757.40/MW-month on August 1, 2006.
12 This compares to the April 1, 2006 rate used by KPCo in its calculation of PTP and
13 NTS revenues of \$1,621.40/MW-month.

14
15 **Q. Have you developed an adjusted level of PTP and NTS revenue credits for use**
16 **in this case?**

17
18 A. Yes. Baron Exhibit__(SJB-9), pages 1 and 2, contains a revised analysis of KPCo
19 PTP and NTS revenues using the third-step AEP transmission rates to set test year
20 revenue credits. The table below shows the impact of this adjustment.

1

2

	<u>As Filed</u>	<u>KIUC Adjusted</u>	<u>Difference</u>
PTP Revenues	\$ 460,461	\$ 490,188	\$ 29,727
NTS Revenues	<u>\$ 4,441,405</u>	<u>\$ 4,813,943</u>	\$ 372,538
Total	\$ 4,901,866	\$ 5,304,131	<u>\$ 402,265</u>

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IV. NET CONGESTION COSTS

Q. Have you reviewed the Company's methodology to estimate test year net congestion costs?

A. Yes. As described by KPCo witness Robert Bradish, the Company estimated net congestion costs using a projection of calendar year 2006 implicit congestion costs of \$4,958,940 and Financial Transmission Right ("FTR") revenues of \$7,961,292. The net of these amounts, (\$3,002,352), is credited to KPCo revenue requirements and is designated as net congestion revenues.

Q. How did the Company project 2006 implicit congestion costs and FTR revenues?

A. According to Mr. Bradish's testimony and the workpapers supporting exhibit (RWB-2), the Company projected 2006 net congestion costs using the average historical levels of implicit congestion costs and FTR revenues for the nine month period October 2004 through June 2005. The Company used the nine-month average to project costs and revenues for January 2006 through May 2006. These

1 averages were then adjusted to reflect the impact of the in-service of the Wyoming-
2 Jacksons Ferry 765 kV line for the remainder of 2006.

3
4 **Q. Do you agree with the Company's methodology to estimate 2006 net**
5 **congestion costs?**

6
7 A. I agree with the Company's approach, in part. Though the methodology appears to
8 be reasonable, it is appropriate to use more recent historical data for the purpose of
9 developing the 2006 projection. KPCo provided actual 2005 data through October
10 2005 in response to Staff 2nd set, Item No. 33, pages 3 and 7, and in response to
11 AG 1st set, Item No. 62, page 5. I have used this more recent information to
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19

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2 historical data, the estimated KPCo net congestion costs increase from (\$3,002,352)
3 to (\$5,143,627) for 2006. This is an increase in the credit to test year cost of service
4 of \$2,141,276 (total Company).

5

6 **Q. Does that complete your testimony?**

7

8 A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF)	CASE NO.
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EXHIBITS

OF

STEPHEN J. BARON

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

January 2006

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT_(SJB-1)

OF

STEPHEN J. BARON

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdiction	Party	Utility	Subject
4/81	203(B)	KY	Louisville Gas & Electric Co.	Louisville Gas & Electric Co.	Cost-of-service.
4/81	ER-81-42	MO	Kansas City Power & Light Co.	Kansas City Power & Light Co.	Forecasting.
6/81	U-1933	AZ	Arizona Corporation Commission	Tucson Electric Co.	Forecasting planning.
2/84	8924	KY	Airco Carbide	Louisville Gas & Electric Co.	Revenue requirements, cost-of-service, forecasting, weather normalization.
3/84	84-038-U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Excess capacity, cost-of-service, rate design.
5/84	830470-EI	FL	Florida Industrial Power Users' Group	Florida Power Corp.	Allocation of fixed costs, load and capacity balance, and reserve margin. Diversification of utility.
10/84	84-199-U	AR	Arkansas Electric Energy Consumers	Arkansas Power and Light Co.	Cost allocation and rate design.
11/84	R-842651	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Interruptible rates, excess capacity, and phase-in.
1/85	85-65	ME	Airco Industrial Gases	Central Maine Power Co.	Interruptible rate design.
2/85	I-840381	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	Load and energy forecast.
3/85	9243	KY	Alcan Aluminum Corp., et al.	Louisville Gas & Electric Co.	Economics of completing fossil generating unit.
3/85	3498-U	GA	Attorney General	Georgia Power Co.	Load and energy forecasting, generation planning economics.
3/85	R-842632	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
5/85	84-249	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Cost-of-service, rate design return multipliers.
5/85		City of Santa	Chamber of Commerce	Santa Clara Municipal	Cost-of-service, rate design.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
6/85	84-768-E-42T	Clara WV	West Virginia Industrial Intervenors	Monongahela Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
6/85	E-7 Sub 391	NC	Carolina Industrials (CIGFUR III)	Duke Power Co.	Cost-of-service, rate design, interruptible rate design.
7/85	29046	NY	Industrial Energy Users Association	Orange and Rockland Utilities	Cost-of-service, rate design.
10/85	85-043-U	AR	Arkansas Gas Consumers	Arkla, Inc.	Regulatory policy, gas cost-of- service, rate design.
10/85	85-63	ME	Airco Industrial Gases	Central Maine Power Co.	Feasibility of interruptible rates, avoided cost.
2/85	ER- 8507698	NJ	Air Products and Chemicals	Jersey Central Power & Light Co.	Rate design.
3/85	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Optimal reserve, prudence, off-system sales guarantee plan.
2/86	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Optimal reserve margins, prudence, off-system sales guarantee plan.
3/86	85-299U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Cost-of-service, rate design, revenue distribution.
3/86	85-726- EL-AIR	OH	Industrial Electric Consumers Group	Ohio Power Co.	Cost-of-service, rate design, interruptible rates.
5/86	86-081- E-GI	WV	West Virginia Energy Users Group	Monongahela Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
8/86	E-7 Sub 408	NC	Carolina Industrial Energy Consumers	Duke Power Co.	Cost-of-service, rate design, interruptible rates.
10/86	U-17378	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Excess capacity, economic analysis of purchased power.
12/86	38063	IN	Industrial Energy Consumers	Indiana & Michigan Power Co.	Interruptible rates.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdíct.	Party	Utility	Subject
3/87	EL-86-53-001 EL-86-57-001	Federal Energy Regulatory Commission (FERC)	Louisiana Public Service Commission Staff	Gulf States Utilities, Southern Co.	Cost/benefit analysis of unit power sales contract.
4/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Load forecasting and imprudence damages, River Bend Nuclear unit.
5/87	87-023-E-C	WV	Airco Industrial Gases	Monongahela Power Co.	Interruptible rates.
5/87	87-072-E-G1	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Analyze Mon Power's fuel filing and examine the reasonableness of MP's claims.
5/87	86-524-E-SC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic dispatching of pumped storage hydro unit.
5/87	9781	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co.	Analysis of impact of 1986 Tax Reform Act.
6/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co.	Economic prudence, evaluation of Vogtle nuclear unit - load forecasting, planning.
6/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in plan for River Bend Nuclear unit.
7/87	85-10-22	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Methodology for refunding rate moderation fund.
8/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co.	Test year sales and revenue forecast.
9/87	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Excess capacity, reliability of generating system.
10/87	R-870651	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Interruptible rate, cost-of-service, revenue allocation, rate design.
10/87	I-860025	PA	Pennsylvania Industrial Intervenors		Proposed rules for cogeneration, avoided cost, rate recovery.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdct.	Party	Utility	Subject
10/87	E-015/ GR-87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Excess capacity, power and cost-of-service, rate design.
10/87	8702-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue forecasting, weather normalization.
12/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light Power Co.	Excess capacity, nuclear plant phase-in.
3/88	10064	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co.	Revenue forecast, weather normalization rate treatment of cancelled plant.
3/88	87-183-TF	AR	Arkansas Electric Consumers	Arkansas Power & Light Co.	Standby/backup electric rates.
5/88	870171C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR).
6/88	870172C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR).
7/88	88-171- EL-AIR 88-170- EL-AIR Interim Rate Case	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison	Financial analysis/need for interim rate relief.
7/88	Appeal of PSC	19th Judicial Docket U-17282	Louisiana Public Service Commission Circuit Court of Louisiana	Gulf States Utilities	Load forecasting, imprudence damages.
11/88	R-880989	PA	United States Steel	Carnegie Gas	Gas cost-of-service, rate design.
11/88	88-171- EL-AIR 88-170- EL-AIR	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison. General Rate Case.	Weather normalization of peak loads, excess capacity, regulatory policy.
3/89	870216/283 284/286	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Calculated avoided capacity, recovery of capacity payments.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006**

Date	Case	Jurisdiction	Party	Utility	Subject
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cost-of-service, rate design.
8/89	3840-U	GA	Georgia Public Service Commission	Georgia Power Co.	Revenue forecasting, weather normalization.
9/89	2087	NM	Attorney General of New Mexico	Public Service Co. of New Mexico	Prudence - Palo Verde Nuclear Units 1, 2 and 3, load forecasting.
10/89	2262	NM	New Mexico Industrial Energy Consumers	Public Service Co. of New Mexico	Fuel adjustment clause, off-system sales, cost-of-service, rate design, marginal cost.
11/89	38728	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Excess capacity, capacity equalization, jurisdictional cost allocation, rate design, interruptible rates.
1/90	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Jurisdictional cost allocation, O&M expense analysis.
5/90	890366	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Non-utility generator cost recovery.
6/90	R-901609	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Allocation of QF demand charges in the fuel cost, cost-of-service, rate design.
9/90	8278	MD	Maryland Industrial Group	Baltimore Gas & Electric Co.	Cost-of-service, rate design, revenue allocation.
12/90	U-9346 Rebuttal	MI	Association of Businesses Advocating Tariff Equity	Consumers Power Co.	Demand-side management, environmental externalities.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, jurisdictional allocation.
12/90	90-205	ME	Airco Industrial Gases	Central Maine Power Co.	Investigation into interruptible service and rates.
1/91	90-12-03 Interim	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Interim rate relief, financial analysis, class revenue allocation.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdiction	Party	Utility	Subject
5/91	90-12-03 Phase II	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Revenue requirements, cost-of- service, rate design, demand-side management.
8/91	E-7, SUB SUB 487	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Revenue requirements, cost allocation, rate design, demand- side management.
8/91	8341 Phase I	MD	Westvaco Corp.	Potomac Edison Co.	Cost allocation, rate design, 1990 Clean Air Act Amendments.
8/91	91-372 EL-UNC	OH	Armco Steel Co., L.P.	Cincinnati Gas & Electric Co.	Economic analysis of cogeneration, avoid cost rate.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
9/91	91-231 -E-NC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	8341 - Phase II	MD	Westvaco Corp.	Potomac Edison Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Results of comprehensive management audit.
Note: No testimony was prefiled on this.					
11/91	U-17949 Subdocket A	LA	Louisiana Public Service Commission Staff	South Central Bell Telephone Co. and proposed merger with Southern Bell Telephone Co.	Analysis of South Central Bell's restructuring and
12/91	91-410- EL-AIR	OH	Armco Steel Co., Air Products & Chemicals, Inc.	Cincinnati Gas & Electric Co.	Rate design, interruptible rates.
12/91	P-880286	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Evaluation of appropriate avoided capacity costs - QF projects.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdict.	Party	Utility	Subject
1/92	C-913424	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	Industrial interruptible rate.
6/92	92-02-19	CT	Connecticut Industrial Energy Consumers	Yankee Gas Co.	Rate design.
8/92	2437	NM	New Mexico Industrial Intervenors	Public Service Co. of New Mexico	Cost-of-service.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Cost-of-service, rate design, energy cost rate.
9/92	39314	ID	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
10/92	M-00920312 C-007	PA	The GPU Industrial Intervenors	Pennsylvania Electric Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
12/92	U-17949	LA	Louisiana Public Service Commission Staff	South Central Bell Co.	Management audit.
12/92	R-00922378	PA	Armco Advanced Materials Co. The WPP Industrial Intervenors	West Penn Power Co.	Cost-of-service, rate design, energy cost rate, SO ₂ allowance rate treatment.
1/93	8487	MD	The Maryland Industrial Group	Baltimore Gas & Electric Co.	Electric cost-of-service and rate design, gas rate design (flexible rates).
2/93	E002/GR-92-1185	MN	North Star Steel Co. Praxair, Inc.	Northern States Power Co.	Interruptible rates.
4/93	EC92 21000 ER92-806-000 (Rebuttal)	Federal Energy Regulatory Commission	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy agreement.	Merger of GSU into Entergy System; impact on system
7/93	93-0114-E-C	WV	Airco Gases	Monongahela Power Co.	Interruptible rates.
8/93	930759-EG	FL	Florida Industrial Power Users' Group	Generic - Electric Utilities	Cost recovery and allocation of DSM costs.
9/93	M-009 30406	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Ratemaking treatment of off-system sales revenues.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdic.	Party	Utility	Subject
11/93	346	KY	Kentucky Industrial Utility Customers	Generic - Gas Utilities	Allocation of gas pipeline transition costs - FERC Order 636.
12/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Nuclear plant prudence, forecasting, excess capacity.
4/94	E-015/ GR-94-001	MN	Large Power Intervenor	Minnesota Power Co.	Cost allocation, rate design, rate phase-in plan.
5/94	U-20178	LA	Louisiana Public Service Commission	Louisiana Power & Light Co.	Analysis of least cost integrated resource plan and demand-side management program.
7/94	R-00942986	PA	Armco, Inc.; West Penn Power Industrial Intervenor	West Penn Power Co.	Cost-of-service, allocation of rate increase, rate design, emission allowance sales, and operations and maintenance expense.
7/94	94-0035- E-42T	WV	West Virginia Energy Users Group	Monongahela Power Co.	Cost-of-service, allocation of rate increase, and rate design.
8/94	EC94 13-000	Federal Energy Regulatory Commission	Louisiana Public Service Commission	Gulf States Utilities/Entergy	Analysis of extended reserve shutdown units and violation of system agreement by Entergy.
9/94	R-00943 081 R-00943 081C0001	PA	Lehigh Valley Power Committee	Pennsylvania Public Utility Commission	Analysis of interruptible rate terms and conditions, availability.
9/94	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Evaluation of appropriate avoided cost rate.
9/94	U-19904	LA	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements.
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Proposals to address competition in telecommunication markets.
11/94	EC94-7-000 ER94-898-000	FERC	Louisiana Public Service Commission	El Paso Electric and Central and Southwest	Merger economics, transmission equalization hold harmless proposals.
2/95	941-430EG	CO	CF&I Steel, L.P.	Public Service Company of Colorado	Interruptible rates, cost-of-service.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdct.	Party	Utility	Subject
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Cost-of-service, allocation of rate increase, rate design, interruptible rates.
6/95	C-00913424 C-00946104	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	interruptible rates.
8/95	ER95-112 -000	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Open Access Transmission Tariffs - Wholesale.
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Company	Nuclear decommissioning, revenue requirements, capital structure.
10/95	ER95-1042 -000	FERC	Louisiana Public Service Commission	System Energy Resources, Inc.	Nuclear decommissioning, revenue requirements.
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear decommissioning and cost of debt capital, capital structure.
11/95	I-940032	PA	Industrial Energy Consumers of Pennsylvania	State-wide - all utilities	Retail competition issues.
7/96	U-21496	LA	Louisiana Public Service Commission	Central Louisiana Electric Co.	Revenue requirement analysis.
7/96	8725	MD	Maryland Industrial Group	Baltimore Gas & Elec. Co., Potomac Elec. Power Co., Constellation Energy Co.	Ratemaking issues associated with a Merger.
8/96	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Revenue requirements.
9/96	U-22092	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
2/97	R-973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Competitive restructuring policy issues, stranded cost, transition charges.
6/97	Civil Action No. 94-11474	US Bankruptcy Court Middle District of Louisiana	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Confirmation of reorganization plan; analysis of rate paths produced by competing plans.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
6/97	R-973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Retail competition issues, rate unbundling, stranded cost analysis.
6/97	8738	MD	Maryland Industrial Group	Generic	Retail competition issues
7/97	R-973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Retail competition issues, rate unbundling, stranded cost analysis.
10/97	97-204	KY	Alcan Aluminum Corp. Southwire Co.	Big River Electric Corp.	Analysis of cost of service issues - Big Rivers Restructuring Plan
10/97	R-974008	PA	Metropolitan Edison Industrial Users	Metropolitan Edison Co.	Retail competition issues, rate unbundling, stranded cost analysis.
10/97	R-974009	PA	Pennsylvania Electric Industrial Customer	Pennsylvania Electric Co.	Retail competition issues, rate unbundling, stranded cost analysis.
11/97	U-22491	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
11/97	P-971265	PA	Philadelphia Area Industrial Energy Users Group	Enron Energy Services Power, Inc./ PECO Energy	Analysis of Retail Restructuring Proposal.
12/97	R-973981	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Retail competition issues, rate unbundling, stranded cost analysis.
12/97	R-974104	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Retail competition issues, rate unbundling, stranded cost analysis.
3/98 (Allocated Stranded Cost Issues)	U-22092	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Retail competition, stranded cost quantification.
3/98	U-22092		Louisiana Public Service Commission	Gulf States Utilities, Inc.	Stranded cost quantification, restructuring issues.
9/98	U-17735		Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Revenue requirements analysis, weather normalization.
12/98	8794	MD	Maryland Industrial Group and	Baltimore Gas and Electric Co.	Electric utility restructuring, stranded cost recovery, rate

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdic.	Party	Utility	Subject
			Millennium Inorganic Chemicals Inc.		unbundling.
12/98	U-23358	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
5/99 (Cross- 40-000 Answering Testimony)	EC-98-	FERC	Louisiana Public Service Commission	American Electric Power Co. & Central South West Corp.	Merger issues related to market power mitigation proposals.
5/99 (Response Testimony)	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Performance based regulation, settlement proposal issues, cross-subsidies between electric gas services.
6/99	98-0452	WV	West Virginia Energy Users Group	Appalachian Power, Monongahela Power, & Potomac Edison Companies	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Company	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	Adversary Proceeding No. 98-1065	U.S. Bankruptcy Court	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Motion to dissolve preliminary injunction.
7/99	99-03-06	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Electric utility restructuring, stranded cost recovery, rate unbundling.
10/99	U-24182	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
12/99	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Ananlysi of Proposed Contract Rates, Market Rates.
03/00	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Evaluation of Cooperative Power Contract Elections
03/00	99-1658- EL-ETP	OH	AK Steel Corporation	Cincinnati Gas & Electric Co.	Electric utility restructuring, stranded cost recovery, rate Unbundling.

Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006

Date	Case	Jurisdiction	Party	Utility	Subject
08/00	98-0452 E-GI 98-0452 E-GI	WVA	West Virginia Energy Users Group	Appalachian Power Co. American Electric Co.	Electric utility restructuring rate unbundling.
08/00	00-1050 E-T 00-1051-E-T	WVA	West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Electric utility restructuring rate unbundling.
10/00	SOAH 473- 00-1020 PUC 2234	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges And Universities	TXU, Inc.	Electric utility restructuring rate unbundling.
12/00	U-24993	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, revenue requirements.
12/00	EL00-66- 000 & ER-2854-000 EL95-33-002	LA	Louisiana Public Service Commission	Entergy Services Inc.	Inter-Company System Agreement: Modifications for retail competition, interruptible load.
04/01	U-21453, U-20925, U-22092 (Subdocket B) Addressing Contested Issues	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Jurisdictional Business Separation - Texas Restructuring Plan
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Test year revenue forecast.
11/01	U-25687	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning requirements transmission revenues.
11/01	U-25965	LA	Louisiana Public Service Commission	Generic	Independent Transmission Company ("Transco"). RTO rate design.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design, resource planning and demand side management.
06/02	U-25965	LA	Louisiana Public Service Commission	Entergy Gulf States Entergy Louisiana	RTO issues
07/02	U-21453	LA	Louisiana Public Service Commission	SWEPCO, AEP	Jurisdictional Business Sep. - Texas Restructuring Plan.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006**

Date	Case	Jurisdic.	Party	Utility	Subject
08/02	U-25888	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc. Entergy Gulf States, Inc.	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
08/02	EL01-88-000	FERC	Louisiana Public Service Commission	Entergy Services Inc. and The Entergy Operating Companies	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
11/02	02S-315EG	CO	CF&I Steel & Climax Molybdenum Co.	Public Service Co. of Colorado	Fuel Adjustment Clause
01/03	U-17735	LA	Louisiana Public Service Commission	Louisiana Coops	Contract Issues
02/03	02S-594E	CO	Cripple Creek and Victor Gold Mining Co.	Aquila, Inc.	Revenue requirements, purchased power.
04/03	U-26527	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Weather normalization, power purchase expenses, System Agreement expenses.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Proposed modifications to System Agreement Tariff MSS-4.
11/03	ER03-583-000, FERC ER03-583-001, and ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001, and ER03-682-002	FERC	Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Marketing, L.P, and Entergy Power, Inc.	Evaluation of Wholesale Purchased Power Contracts.
12/03	U-27136	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc.	Evaluation of Wholesale Purchased Power Contracts.
01/04	E-01345-03-0437	AZ	Kroger Company	Arizona Public Service Co.	Revenue allocation rate design.
02/04	00032071	PA	Duquesne Industrial Intervenor	Duquesne Light Company	Provider of last resort issues.
03/04	03A-436E	CO	CF&I Steel, LP and Climax Molybdenum	Public Service Company of Colorado	Purchased Power Adjustment Clause.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
04/04	2003-00433 2003-00434	PA	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co. Kentucky Utilities Co.	Cost of Service Rate Design
0-6/04	03S-539E	CO	Cripple Creek, Victor Gold Mining Co., Goodrich Corp., Holcim (U.S.), Inc., and The Trane Co.	Aquila, Inc.	Cost of Service, Rate Design Interruptible Rates
06/04	R-00049255	PA	PP&L Industrial Customer Alliance PPLICA	PPL Electric Utilities Corp.	Cost of service, rate design, tariff issues and transmission service charge.
10/04	04S-164E	CO	CF&I Steel Company, Climax Mines	Public Service Company of Colorado	Cost of service, rate design, Interruptible Rates.
03/05	Case No. 2004-00426 Case No. 2004-00421	KY	Kentucky Utilities Co. Louisville Gas & Electric Co.	Kentucky Industrial Utility Customers, Inc.	Environmental cost recovery.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design
07/05	U-28155	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc. Entergy Gulf States, Inc.	Independent Coordinator of Transmission – Cost/Benefit
10/05	Case Nos. 05-0402, 05-0750	WV	West Virginia Energy Users Group	Monongahela Power Company	Environmental cost recovery, Securitization of FGD Scrubber Facility.
10/05	Case No. 05-59	OH	Ohio Energy Group	Cincinnati Gas & Electric Company	Distribution Rate Case, Cost Allocation, Revenue Increase Allocation.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT__(SJB-2)

OF

STEPHEN J. BARON

KENTUCKY POWER COMPANY
12 CP CLASS COST OF SERVICE STUDY
12 MONTHS ENDED JUNE 30, 2005
Summary

	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
RATE BASE										
GROSS UTILITY PLANT	1,336,938,136	690,649,209	22,354,354	129,335,535	147,576,744	115,178,044	200,475,882	1,198,858	26,786,524	3,382,985
TOTAL DEPRECIATION RESERVE	432,998,450	219,971,362	6,929,358	41,558,258	48,039,977	38,798,360	68,438,655	384,995	7,879,985	997,500
NET UTILITY PLANT	903,939,686	470,677,847	15,424,996	87,777,277	99,536,767	76,379,684	132,037,227	813,863	18,906,539	2,385,485
TOTAL CWIP	19,159,718	10,217,345	347,483	1,879,599	2,093,035	1,513,363	2,580,549	17,457	453,798	57,088
PLANT HELD FOR FUTURE USE TRANS	83,282	35,405	759	7,407	9,691	10,371	19,540	68	34	8
TOTAL WORKING CAPITAL	73,842,577	30,408,904	992,365	6,706,412	8,256,874	8,545,932	17,994,249	70,729	769,427	97,686
TOTAL RATE BASE OFFSETS	(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,714,538)	(11,440,890)	(19,410,905)	(114,672)	(2,657,788)	(324,994)
TOTAL RATE BASE	858,443,759	437,647,616	14,341,548	82,568,918	95,181,830	75,008,460	133,220,660	787,445	17,472,010	2,215,273
OPERATING REVENUES										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
TOTAL OPERATING REVENUE	346,056,753	135,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059
OPERATING EXPENSES										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	118,449,612	4,192,553	24,482,993	29,226,044	28,378,307	58,026,194	247,981	3,601,207	391,229
ADJUSTED DEPRECIATION EXPENSE	47,698,792	25,182,176	856,272	4,645,752	5,204,493	3,877,457	6,667,080	43,037	1,088,021	134,504
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
TOTAL STATE INCOME TAXES	(1,348,227)	(2,335,824)	61,116	527,629	181,974	162,018	69,434	2,909	(34,139)	16,657
FEDERAL INCOME TAXES	(3,660,566)	(9,849,487)	280,912	2,564,160	1,107,446	1,135,386	1,192,139	15,073	(175,219)	69,024
TOTAL EXPENSES	318,884,131	136,148,029	5,554,374	33,115,817	36,727,256	34,352,789	67,363,107	317,249	4,671,108	634,401
NET OPERATING INCOME	27,172,622	(962,193)	1,086,295	8,030,003	5,822,617	5,081,693	7,483,946	58,995	356,607	214,658
AFUDC OFFSET	1,234,029	587,830	16,218	115,050	139,787	126,615	232,778	1,065	13,009	1,675
ADJUSTED NET OPERATING INCOME	28,406,651	(374,363)	1,102,513	8,145,054	5,962,405	5,208,308	7,716,724	60,060	369,617	216,333
RATE OF RETURN %	3.31%	-0.09%	7.69%	9.86%	6.26%	6.94%	5.79%	7.63%	2.12%	9.77%
RATE OF RETURN INDEX	100	(3)	232	298	189	210	175	230	64	295

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: 12 CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>ELECTRIC PLANT IN SERVICE</u>											
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	197,278,411	4,248,784	40,659,652	52,714,404	53,991,470	103,089,256	376,289	298,715	70,627
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	380,818,658	161,876,867	3,471,221	33,867,796	44,311,741	47,430,651	89,360,417	310,453	153,274	36,239
TRANSMISSION PLANT GSU TOTAL	PROD_DEMAND	1,577,091	687,226	14,801	141,639	183,632	188,081	359,115	1,311	1,041	246
TRANSMISSION PLANT		382,395,749	162,564,093	3,486,021	34,009,435	44,495,373	47,618,732	89,719,532	311,764	154,315	36,485
<u>DISTRIBUTION PLANT</u>											
360 LAND AND LAND RIGHTS	DIST_CPD	5,128,881	3,469,035	77,348	661,127	697,141	203,901	-	6,406	11,548	2,375
361 STRUCTURES AND IMPROVEMENTS	DIST_CPD	4,186,156	2,831,401	63,131	539,607	569,001	166,423	-	5,228	9,425	1,838
362 STATION EQUIPMENT	DIST_CPD	41,861,612	28,314,049	631,314	5,396,081	5,690,021	1,664,229	-	52,284	94,252	19,382
364 POLES	DIST_POLES	126,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	-	154,454	641,668	115,013
365 OVERHEAD LINES	DIST_OHLINES	102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	-	125,422	453,064	82,584
366 UNDERGROUND CONDUIT	DIST_UGLINES	3,053,885	2,174,074	55,055	370,136	358,221	75,880	-	3,732	14,214	2,574
367 UNDERGROUND LINES	DIST_UGLINES	5,923,247	4,216,785	106,784	717,907	694,797	147,176	-	7,298	27,568	4,992
368 TRANSFORMERS	DIST_TRANSF	84,645,406	65,272,101	1,941,723	9,172,683	7,301,425	-	-	99,632	732,928	124,914
369 SERVICES	DIST_SERV	31,566,289	20,547,459	2,542,225	1,628,486	99,567	-	-	2,987	6,757,741	7,823
370 METERS	DIST_METERS	20,937,281	9,482,984	3,791,663	3,107,766	2,533,660	1,602,733	413,817	4,457	-	-
371 INSTALLATIONS ON CUST PREMISES	DIST_OL	16,201,414	-	-	-	-	-	-	-	16,201,414	-
372 LEASED PROP ON CUST PREMISES	DIST_OL	-	-	-	-	-	-	-	-	-	-
373 STREET LIGHTING	DIST_SL	2,788,123	-	-	-	-	-	-	-	-	2,788,123
DISTRIBUTION PLANT TOTAL		445,596,962	299,944,584	13,376,603	49,295,028	44,625,288	9,386,261	413,817	461,641	24,943,822	3,149,718
PTD PLANT	FORMULA	1,280,720,319	659,787,088	21,111,408	123,964,115	141,835,065	110,996,463	193,222,605	1,149,893	25,396,852	3,256,830
GENERAL PLANT TOTAL	LABOR_M	49,011,035	26,380,860	1,132,858	4,574,389	4,902,929	3,780,163	6,711,963	41,097	1,365,129	121,647
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	750,450	16,162	154,670	200,526	205,384	392,153	1,431	1,136	269
<u>ELECTRIC PLANT IN SERVICE</u>		1,331,453,536	686,918,398	22,260,428	128,693,174	146,938,521	114,982,010	200,326,721	1,192,421	26,763,117	3,378,746
<u>ELECTRIC PLANT IN SERVICE - ADJUSTMENT</u>		5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
<u>GROSS UTILITY PLANT</u>	FORMULA	1,336,938,136	690,649,209	22,354,354	129,335,535	147,576,744	115,178,044	200,475,882	1,198,858	26,786,524	3,382,985
<u>DEPRECIATION RESERVE</u>											
PRODUCTION	RB_GUP_EPIS_P	172,837,498	75,314,839	1,622,055	15,522,607	20,124,741	20,612,285	39,356,312	143,656	114,040	26,963
TRANSMISSION	RB_GUP_EPIS_T	114,198,349	48,548,005	1,041,062	10,156,549	13,288,061	14,220,818	26,793,766	93,105	46,084	10,896
DISTRIBUTION	RB_GUP_EPIS_D	130,586,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G	14,698,381	7,911,605	339,743	1,371,857	1,470,386	1,133,669	2,012,914	12,325	409,401	36,482
HR-J POST IN-SERVICE	BULK_TRANS	678,019	296,450	6,363	60,893	78,947	80,859	154,390	564	447	106
TOTAL DEPRECIATION RESERVE		432,998,450	219,971,362	6,929,358	41,558,258	48,939,977	38,798,360	68,438,655	384,995	7,679,985	997,500
<u>NET UTILITY PLANT</u>	FORMULA	903,939,686	470,677,847	15,424,996	87,777,277	99,536,767	76,379,684	132,037,227	813,863	18,906,539	2,385,485

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: 12 CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOU</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	35,405	759	7,407	9,691	10,371	19,540	68	34	8
<u>WORKING CAPITAL</u>											
<u>WORKING CAPITAL CASH</u>											
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM	29,436,141	12,757,005	449,790	2,666,893	3,208,791	3,222,951	6,662,579	27,277	397,227	43,628
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	1,094,516	23,573	225,583	292,463	299,549	571,947	2,088	1,657	392
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY	13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH		45,120,342	18,328,610	605,640	4,067,342	5,020,698	5,292,070	11,226,637	43,182	476,483	59,681
WORKING CAPITAL CASH - ADJUSTMENT		3,938,374	2,049,197	74,279	393,481	444,464	324,337	590,696	3,721	52,924	5,275
<u>WORKING CAPITAL MATERIALS & SUPPLIES</u>											
FUEL	PROD_ENERGY	10,524,611	3,577,139	105,688	938,704	1,214,015	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,261	2,217,672	47,762	457,069	592,580	606,936	1,158,850	4,230	3,358	794
TRANSMISSION AND DISTRIBUTION	TDPLANT	888,306	495,973	18,071	89,353	95,629	61,250	96,918	830	26,872	3,411
TOTAL MATERIALS & SUPPLIES		16,502,178	6,290,783	171,521	1,485,125	1,902,225	2,082,051	4,445,426	16,099	92,230	16,718
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT		3,542,537	1,204,049	35,574	315,863	408,632	475,900	1,073,621	3,716	20,869	4,212
WORKING CAPITAL PREPAYMENTS	RB_GUP_EPIS	655,315	338,088	10,956	63,340	72,320	56,592	98,597	587	13,172	1,863
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT		4,083,631	2,198,178	94,385	381,160	408,535	314,981	559,272	3,424	113,749	10,136
TOTAL WORKING CAPITAL	FORMULA	73,842,577	30,408,904	992,365	6,706,412	8,256,874	8,545,932	17,994,249	70,729	769,427	97,686
<u>CONSTRUCTION WORK IN PROGRESS</u>											
PRODUCTION	RB_GUP_EPIS_P	9,503,956	4,141,398	89,193	653,554	1,108,615	1,133,424	2,164,118	7,899	6,271	1,483
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	511,965	10,979	107,106	140,130	149,966	282,555	982	486	115
DISTRIBUTION	RB_GUP_EPIS_D	7,524,931	5,065,256	225,895	832,460	753,601	158,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G	926,548	498,727	21,417	86,478	92,689	71,464	126,889	777	25,808	2,300
TOTAL CWIP		19,159,718	10,217,345	347,483	1,879,599	2,083,035	1,513,363	2,580,549	17,457	453,798	57,088
<u>RATE BASE OFFSETS</u>											
DEFERRED FIT	RB_GUP	(127,983,435)	(66,028,723)	(2,139,741)	(12,370,386)	(14,124,185)	(11,052,427)	(19,256,024)	(114,619)	(2,572,554)	(324,775)
CUSTOMER ADVANCES	CUST_TOTAL	(56,784)	(31,705)	(1,155)	(5,712)	(6,113)	(3,915)	(6,195)	(53)	(1,718)	(218)
CUSTOMER DEPOSITS	CUST_DEP	(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	-	(83,516)	-
TOTAL RATE BASE OFFSETS		(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,714,538)	(11,440,890)	(19,410,905)	(114,672)	(2,657,788)	(324,994)
TOTAL RATE BASE	FORMULA	858,443,759	437,647,616	14,341,548	82,568,918	95,181,830	75,008,480	133,220,660	787,445	17,472,010	2,215,273

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

Production Allocator: 12 CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
OPERATING REVENUES											
TOTAL REVENUE	REVSales	337,148,564	130,195,491	6,280,382	39,974,995	41,493,781	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS	REVYEC	195,124	(105,526)	116,329	74,844	145,482	(96,930)	-	1,457	61,886	(2,218)
SALES OF ELECTRICITY		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUES											
FORFEITED DISCOUNTS	FORT	1,476,289	866,530	74,711	290,715	136,208	94,941	-	-	13,184	-
MISCELLANEOUS SERVICE REVENUE	RB_GUP_EPIS_D	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	DIST_POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	-	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	RB_GUP_EPIS_D	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	RB_GUP_EPIS_D	2,189,343	1,473,712	55,723	242,200	219,257	48,117	2,833	2,269	122,556	15,475
OTHER ELECTRIC REVENUE WHEELING	TRANS_TOTAL	172,219	73,206	1,570	15,316	20,039	21,450	40,412	140	69	16
OTHER ELECTRIC REVENUE PRODUCTION	PROD_ENERGY	5,858,518	1,990,532	58,811	522,350	675,550	786,758	1,774,909	6,143	34,501	6,963
TOTAL OTHER OPERATING REVENUES		12,983,134	6,734,212	269,617	1,458,565	1,416,918	1,021,869	1,817,991	12,432	221,866	29,662
OTHER OPERATING REVENUE - ADJUSTMENT		(4,270,069)	(1,638,341)	(25,859)	(362,584)	(506,308)	(610,764)	(1,155,593)	(3,225)	28,880	3,525
TOTAL OPERATING REVENUE		346,056,753	135,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	OL	SL	
OPERATION AND MAINTENANCE EXPENSE											
O&M EXPENSE PRODUCTION											
GENERATION EXPENSE DEMAND	17,732,801	7,727,073	166,418	1,592,572	2,064,737	2,114,758	4,037,838	14,739	11,700	2,766	
GENERATION EXPENSE ENERGY	10,290,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,871	10,794	60,521	12,234	
GENERATION EXPENSE FUEL	110,407,982	37,525,820	1,108,716	9,847,431	12,735,582	14,832,086	33,460,859	115,811	650,412	131,265	
SYSTEM SALES	(20,094,132)	(8,756,123)	(188,581)	(1,804,662)	(2,339,708)	(2,396,390)	(4,575,575)	(16,701)	(13,258)	(3,135)	
SYSTEM SALES	(105,379,475)	(35,816,715)	(1,058,220)	(9,398,932)	(12,155,543)	(14,156,562)	(31,936,892)	(110,536)	(620,789)	(125,287)	
PURCHASED POWER DEMAND	70,249,303	30,611,499	659,280	6,309,119	8,179,643	8,377,804	15,996,260	58,388	46,351	10,959	
PURCHASED POWER ENERGY	96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,893	566,832	114,357	
SYSTEM CONTROL	2,769,001	1,206,607	25,887	248,685	322,415	330,226	630,521	2,301	1,827	432	
TOTAL PRODUCTION EXPENSES	182,161,921	68,687,785	1,782,838	16,291,003	21,089,228	23,405,876	49,882,416	175,689	703,495	143,592	
O&M EXPENSE TOTAL TRANSMISSION	TRANS_TOTAL	514,789	218,824	4,692	45,782	59,900	64,117	120,797	420	207	49
DISTRIBUTION OPERATION EXPENSE											
580 SUPERVISION & ENGINEERING	890,661	580,069	39,751	100,698	90,030	24,113	2,236	835	46,359	6,570	
581 LOAD DISPATCHING	339,546	229,660	5,121	43,768	46,153	13,499	-	424	764	157	
582 STATION EXPENSES	206,824	139,890	3,119	26,660	28,112	8,222	-	258	466	96	
583 OVERHEAD LINES	70,983	50,291	1,260	8,656	8,453	1,865	-	87	314	57	
584 UNDERGROUND LINES	30,930	22,019	558	3,749	3,628	769	-	38	144	26	
585 STREET LIGHTING	11,424	-	-	-	-	-	-	-	-	11,424	
586 METERS	507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	-	-	
587 CUSTOMER INSTALLS	266,495	173,191	21,428	13,826	963	37	-	25	56,960	66	
588 MISCELLANEOUS DISTRIBUTION	2,692,528	1,812,421	80,828	297,866	269,649	56,717	2,500	2,791	150,724	19,032	
589 RENTS	1,371,216	923,066	41,163	151,693	137,323	28,884	1,273	1,421	76,759	9,692	
TOTAL DISTRIBUTION OPER EXP	6,387,913	4,160,318	285,099	722,217	645,797	172,939	16,037	5,987	332,488	47,121	
DISTRIBUTION MAINTENANCE EXPENSE											
590 SUPERVISION & ENGINEERING	12,363	8,436	227	1,429	1,373	285	1	14	497	91	
591 STRUCTURES	7,628	5,159	115	983	1,037	303	-	10	17	4	
592 STATION EQUIPMENT	670,333	453,395	10,109	86,408	91,115	26,649	-	837	1,509	310	
593 OVERHEAD LINES	11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	-	13,607	53,225	9,607	
594 UNDERGROUND LINES	103,865	73,942	1,872	12,589	12,183	2,581	-	127	483	88	
595 LINE TRANSFORMER	604,245	465,948	13,861	65,480	52,122	-	-	711	5,232	892	
596 STREET LIGHTING	86,472	-	-	-	-	-	-	-	-	86,472	
597 METERS	70,662	32,004	12,797	10,489	8,552	5,409	1,397	15	-	-	
598 MISC DISTRIBUTION PLANT	468,604	-	-	-	-	-	-	-	468,604	-	
TOTAL DISTRIBUTION MAINT EXP	13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568	97,464	
CUSTOMER ACCOUNTS											
901 SUPERVISION	481,853	376,118	36,613	27,759	2,557	294	48	43	38,446	74	
902 METER READ	2,967,779	1,641,349	203,075	197,218	22,525	2,897	477	239	-	-	
903 CUSTOMER RECORDS	5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,086	1,196	
904 UNCOLLECTIBLES	(20,325)	(13,200)	(1,633)	(1,056)	(79)	(8)	(1)	(2)	(4,341)	(5)	
905 MISCELLANEOUS	15,976	12,468	1,214	820	85	10	2	1	1,274	2	
TOTAL CUSTOMER ACCOUNTS	8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466	1,267	
TOTAL CUSTOMER SERVICES	CUST_TOTAL	1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270	338

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: 12 CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
ADMINISTRATIVE & GENERAL EXPENSE											
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	3,944,513	84,953	812,976	1,054,006	1,079,541	2,061,234	7,524	5,973	1,412
A&G PRODUCTION ENERGY	PROD_ENERGY	2,655,730	902,636	26,669	236,866	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,768	723,806	15,521	151,434	198,133	212,078	399,560	1,388	685	162
A&G DISTRIBUTION	EXP_OM_DIST	7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,886
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT	2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV	642,816	417,474	51,652	33,390	2,494	246	40	61	137,307	159
A&G REGULATORY RECLASSIFIED											
	FORMULA	30,211	11,666	563	3,582	3,718	3,505	6,647	33	423	73
TOTAL A & G EXPENSES											
		23,617,485	12,654,175	546,127	2,204,725	2,362,726	1,831,220	3,279,066	19,933	860,320	59,194
TOTAL O&M EXPENSES											
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT		235,489,125	102,056,037	3,598,319	21,335,143	25,670,329	25,783,610	53,300,629	218,217	3,177,815	349,026
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA	266,996,120	118,449,612	4,192,553	24,482,993	29,226,044	28,378,307	58,026,194	247,981	3,601,207	391,229
DEPRECIATION EXPENSE											
PRODUCTION	RB_GUP_EPIS_P	17,327,512	7,550,554	162,616	1,556,191	2,017,570	2,066,448	3,945,586	14,402	11,433	2,703
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	2,844,330	60,994	596,052	778,521	833,169	1,569,793	5,455	2,700	638
DISTRIBUTION	RB_GUP_EPIS_D	15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,989	111,246
GENERAL PLANT	RB_GUP_EPIS_G	4,287,524	2,307,818	99,103	400,171	428,912	330,692	587,169	3,595	119,423	10,642
TOTAL DEPRECIATION EXPENSE											
		44,043,880	23,296,548	795,166	4,292,482	4,801,138	3,561,825	6,117,173	39,764	1,014,555	125,229
DEPRECIATION EXPENSE - ADJUSTMENT		3,654,912	1,885,628	61,106	353,270	403,354	315,632	549,908	3,273	73,466	9,275
ADJUSTED DEPRECIATION EXPENSE	FORMULA	47,698,792	25,182,176	856,272	4,645,752	5,204,493	3,877,457	6,667,080	43,037	1,088,021	134,504
TAXES OTHER THAN INCOME											
FEDERAL INSURANCE TAX	LABOR_M	2,152,118	1,158,407	49,745	200,865	215,292	165,990	294,728	1,805	59,944	5,342
FEDERAL UNEMPLOYMENT TAX	LABOR_M	25,730	13,650	595	2,401	2,574	1,985	3,524	22	717	64
KENTUCKY SALES & USE TAX	TDPLANT	212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP	6,984,383	3,603,356	116,771	675,084	770,793	603,159	1,050,850	6,255	140,391	17,724
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP	584	301	10	56	64	50	88	-1	12	1
KENTUCKY UNEMPLOYMENT TAX	LABOR_M	17,259	9,280	399	1,611	1,727	1,331	2,364	14	481	43
KENTUCKY PSC MAINTENANCE TAX RECLASSIFIED	FORMULA	504,415	194,788	9,396	59,807	62,080	58,529	110,989	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP	99	51	2	10	11	9	15	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	39,133	643	8,065	10,457	10,710	20,449	75	59	14
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP	3,271	1,688	55	316	361	282	492	3	66	8
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M	2,973	1,600	69	277	297	229	407	2	83	7
WEST VIRGINIA FRANCHISE TAX	LABOR_M	23,533	12,667	544	2,196	2,354	1,815	3,223	20	655	58
WEST VIRGINIA LICENSE TAX	LABOR_M	275	148	6	26	28	21	38	0	8	1
WYOMING LICENSE TAX	PROD_DEMAND	49	21	0	4	6	5	11	0	0	0
FRINGE BENEFIT LOADING FICA	LABOR_M	(805,537)	(433,591)	(18,619)	(75,184)	(80,584)	(62,130)	(110,317)	(675)	(22,437)	(1,999)
FRINGE BENEFIT LOADING FUT	LABOR_M	(12,251)	(6,594)	(283)	(1,143)	(1,226)	(945)	(1,678)	(10)	(341)	(30)
FRINGE BENEFIT LOADING SUT	LABOR_M	(5,307)	(2,857)	(123)	(485)	(531)	(409)	(727)	(4)	(148)	(13)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP	(44,296)	(22,853)	(741)	(4,281)	(4,888)	(3,825)	(6,665)	(40)	(890)	(112)
TOTAL TAXES OTHER THAN INCOME											
		8,937,315	4,569,523	158,673	869,638	978,837	776,822	1,367,815	8,014	185,862	22,332
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT		260,696	132,029	4,850	25,645	28,462	22,799	40,444	235	5,577	654
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA	9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
TOTAL OPERATING REVENUE											
		346,056,753	135,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059
TOTAL OPERATING EXPENSE BEFORE TAXES											
		323,892,923	148,333,341	5,212,347	30,024,028	35,437,836	33,055,384	66,101,533	299,268	4,850,466	548,720
GROSS OPERATING INCOME											
	FORMULA	22,163,830	(13,147,505)	1,428,322	11,121,793	7,112,038	6,379,098	8,745,520	76,977	147,250	300,339
INTEREST CHARGE TAX											
INTEREST SYNCHRONIZATION TAX	RATEBASE	(28,829,564)	(14,697,748)	(481,640)	(2,772,955)	(3,196,541)	(2,519,048)	(4,474,019)	(26,445)	(566,772)	(74,397)
	RATEBASE	1,221,632	622,806	20,409	117,502	135,451	108,743	189,583	1,121	24,864	3,153
NET OPER INCOME BEFORE INCOME TAX											
	FORMULA	(5,444,102)	(27,222,446)	967,091	8,466,339	4,050,948	3,968,792	4,461,084	51,652	(414,858)	229,095

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP TOD	MW	OL	SL
INCOME TAXES										
SCHEDULE M INCOME ADJUSTMENTS	(6,012,634)	(3,102,015)	(100,525)	(581,158)	(663,551)	(519,241)	(904,644)	(5,385)	(120,858)	(15,258)
BOOK VS TAX DEPRECIATION NORMALIZED	7,015,140	3,619,224	117,285	678,056	774,187	605,815	1,055,478	6,283	141,009	17,802
BOOK VS TAX DEPRECIATION FLOWTHRU	(268,834)	(143,362)	(4,876)	(26,373)	(29,368)	(21,234)	(36,208)	(245)	(6,367)	(801)
ABFUDC	465,437	240,125	7,782	44,987	51,365	40,194	70,028	417	9,356	1,181
INTEREST CAPITALIZATION	1,030	869	83	54	4	0	0	0	220	0
CUSTOMER ADVANCES	82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	280
PROVISION FOR POSSIBLE REVENUE REFUNDS	(297,000)	(153,227)	(4,966)	(28,707)	(32,777)	(25,648)	(44,686)	(266)	(5,970)	(754)
PERCENT REPAIR ALLOWANCE	(5,261,850)	(2,714,673)	(87,972)	(508,590)	(580,695)	(454,404)	(791,683)	(4,712)	(105,767)	(13,353)
REMOVAL COSTS	(4,802,865)	(1,601,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
DEFERRED FUEL	(11,879,328)	(5,176,479)	(111,486)	(1,066,887)	(1,383,197)	(1,416,707)	(2,705,006)	(9,874)	(7,838)	(1,853)
TAX AMORTIZATION OF POLLUTION CONTROL	(187,110)	(96,533)	(3,128)	(18,085)	(20,649)	(16,158)	(28,152)	(168)	(3,761)	(475)
CAPITALIZED RELOCATION COSTS	(5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(15,694)	(1,573,859)	(5,447)	(30,593)	(6,174)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	(203,472)	(109,522)	(4,703)	(18,991)	(20,355)	51,929	92,204	565	(5,667)	(505)
PROVISION FOR WORKERS COMP	673,275	362,399	15,562	62,839	67,353	1,552	2,756	17	2,038	162
ACCUMULATED PENSION EXPENSE	20,125	10,833	465	1,878	2,013	5,645	10,023	61	1,021	145
SUPPLEMENTAL EXECUTIVE RETIREMENT	73,185	39,393	1,692	6,831	7,321	(2,274)	(37)	(85)	(125,166)	(206)
ACCUMULATED SUPPLEMENTAL SAVINGS PLAN EXP	(585,005)	(380,578)	(47,087)	(30,439)	(2,274)	19,987	52,513	182	338	68
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	11,205	58,893	1,740	15,454	15,124	7,717	17,409	9	7	2
REG ASSET ON UNREALIZED LOSS FWD CMMT	57,444	19,524	577	5,124	6,626	1,305	2,551	(99)	(2,233)	(282)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	11,205	4,883	105	1,006	1,305	(9,593)	(16,713)	(24)	(425)	(57)
AOFUDC - HR/J	(111,083)	(57,310)	(1,857)	(10,737)	(12,259)	(3,479)	(3,479)	72	1,616	204
POST RETIREMENT BENEFIT PAYMENT	(24,844)	(12,886)	(516)	(2,791)	(2,711)	6,943	12,096	29	960	86
ADVANCE RENTAL INCOME	80,394	41,477	1,344	7,771	8,872	2,660	4,722	113	3,756	335
BOOK AMORTIZATION LOSS REAQUIRED DEBT	34,482	18,560	797	3,218	3,449	10,400	18,466	31	0	4
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	134,841	72,580	3,117	12,585	13,489	18	31	(21)	(692)	(62)
VACATION PAY SEC 481	206	106	3	20	23	(1,917)	(3,404)	104	1,365	231
SEC 481 3-YR ADJ PROPERTY TAX	(24,856)	(13,379)	(575)	(2,320)	(2,487)	10,932	20,748	(120)	(59)	(14)
DEFERRED COMPENSATION PAYMENTS	95,635	37,351	1,820	11,331	11,754	(18,331)	(34,538)	(61)	(30)	(7)
ACCUMULATED STATE INCOME TAX EXPENSE	(147,206)	(62,580)	(1,342)	(13,092)	(17,129)	(9,391)	(17,694)	(12)	(156)	(26)
ACCUMULATED RTO CARRYING CHARGES	(75,416)	(32,061)	(688)	(6,707)	(8,775)	(1,249)	(2,370)	2,313	76,845	6,848
REG ASSET ON DEFERRED RTO COSTS	(10,923)	(4,266)	(208)	(1,294)	(1,342)	212,790	377,824	1,918	10,771	2,174
DEFERRED BOOK CONTRACT REVENUE	2,758,889	1,485,010	63,770	257,498	275,992	245,629	554,134	(98)	(550)	(111)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	1,828,429	621,452	18,361	163,080	210,910	(12,537)	(28,283)	(392)	(2,204)	(445)
BOOK - TAX BASIS - EMA A/C 283	(93,324)	(31,719)	(937)	(8,324)	(10,765)	(50,250)	(113,363)	3,468	19,476	3,931
DEFERRED TAX GAIN INTERCO SALE EMA	(374,055)	(127,135)	(3,756)	(33,362)	(43,147)	444,137	1,001,964	179	89	21
DEFERRED TAX GAIN EPA AUCTION	3,306,097	1,123,687	33,200	294,875	381,359	27,390	51,606	(10)	(217)	(27)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	219,950	93,505	2,005	19,562	25,593	(931)	(1,622)	1,006	22,577	2,850
REG ASSET DEFERRED EQUITY CARRYING	(10,781)	(5,562)	(180)	(1,042)	(1,190)	96,997	168,993	(452)	(10,138)	(1,280)
CAPITALIZED SOFTWARE COSTS TAX	1,123,198	579,476	18,779	108,564	123,956	(43,558)	(75,888)	(208)	(6,917)	(616)
CAPITALIZED SOFTWARE COSTS BOOK	(504,384)	(260,220)	(8,433)	(48,752)	(55,664)	(19,155)	(34,010)	574	7,557	1,278
BOOK LEASES CAPITALIZED FOR TAX	(248,345)	(133,675)	(5,740)	(23,179)	(24,844)	60,542	114,903	(7,764)	(102,279)	(17,300)
ACCUMULATED SFAS 112 POST EMPLOYMENT BENEFITS	529,635	206,855	10,078	62,754	65,094	(819,350)	(1,555,061)	7,764	102,279	17,300
BOOK DEFERRAL MERGER COSTS	(7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	819,350	1,555,061	171	5,683	506
SFAS 109 DEFERRED SIT LIABILITY	7,167,903	2,799,507	136,397	849,288	880,956	15,735	27,939	(19)	(253)	(43)
REG ASSET SFAS 109 DEFERRED SIT LIABILITY	204,015	109,814	4,716	19,042	20,409	(2,180)	(3,848)	(1)	(12)	(2)
REG ASSET ACCRUED SFAS 112	(17,736)	(6,927)	(337)	(2,101)	(101)	(94)	(179)	7	97	16
1977 - 1980 IRS AUDIT SETTLEMENT	(824)	(322)	(16)	(98)	(101)	834	776	(521)	(414)	(98)
1985 - 1987 IRS AUDIT SETTLEMENT	6,789	2,652	129	804	804	(74,786)	(142,794)			
IRS AUDIT SETTLEMENTS PERM	(627,096)	(273,260)	(5,885)	(56,320)	(73,017)					
MANUFACTURING DEDUCTION										
TOTAL SCHEDULE M ADJUSTMENTS	(18,067,702)	(7,482,979)	(189,711)	(1,586,405)	(2,054,545)	(2,187,772)	(4,403,565)	(15,672)	(138,885)	(6,168)
SCHEDULE M - ADJUSTMENT	4,834,630	2,278,880	72,733	456,681	538,229	476,989	915,659	4,489	80,314	10,656

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	GIP TOD	MW	OL	SL	
BONUS DEPRECIATION ADJUSTMENT FOR STATE	RB_GUP	(55,930)	(28,855)	(935)	(5,406)	(6,172)	(4,830)	(8,415)	(50)	(1,124)	(142)
STATE TAXABLE INCOME	FORMULA	(18,733,104)	(32,455,400)	849,178	7,331,209	2,528,459	2,251,180	964,764	40,419	(474,354)	231,441
STATE INCOME TAX KENTUCKY	FORMULA	(1,311,317)	(2,271,878)	59,442	513,185	176,992	157,583	87,533	2,829	(33,205)	16,201
STATE INCOME TAX OHIO	FORMULA	(28,997)	(50,238)	1,314	11,348	3,914	3,485	1,493	63	(734)	358
STATE INCOME TAX WEST VIRGINIA	FORMULA	(7,912)	(13,708)	359	3,096	1,068	951	407	17	(200)	98
TOTAL STATE INCOME TAXES	FORMULA	(1,348,227)	(2,335,824)	61,116	527,829	181,974	162,018	89,434	2,909	(34,139)	16,657
TAXABLE OPERATING INCOME	FORMULA	(17,328,947)	(30,090,721)	788,997	6,808,986	2,352,658	2,093,992	903,745	37,560	(439,090)	214,926
GROSS CURRENT FIT	FORMULA	(6,065,132)	(10,531,752)	276,149	2,383,145	823,430	732,897	316,311	13,146	(153,682)	75,224
FEEDBACK PRIOR ITC NORMALIZATION TAX	RB_GUP	(1,156,997)	(596,913)	(19,344)	(111,831)	(127,686)	(99,916)	(174,078)	(1,036)	(23,256)	(2,936)
CURRENT FIT AND ITC	FORMULA	(7,222,129)	(11,128,666)	256,805	2,271,314	695,745	632,981	142,232	12,110	(176,938)	72,288
DEFERRED FIT - CURRENT YEAR											
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	1,793,574	925,334	29,987	173,360	197,938	154,890	269,856	1,606	36,052	4,551
ABFUDC	RB_CWMP	101,807	54,291	1,846	9,987	11,122	8,041	13,712	93	2,411	303
WSEC 482 PENSION/OPEB ADJUSTMENT	LABOR_M	(72)	(39)	(2)	(7)	(7)	(6)	(10)	(0)	(2)	(0)
INTEREST CAPITALIZATION	RB_GUP	(162,904)	(84,045)	(2,724)	(15,746)	(17,978)	(14,068)	(24,510)	(146)	(3,274)	(413)
CUSTOMER ADVANCES	CUST_TOTAL	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	RB_GUP	103,950	53,629	1,738	10,047	11,472	8,977	15,640	93	2,089	264
TAX AMORTIZATION POLLUTION CONTROL	RB_GUP	4,157,765	1,811,768	39,020	373,411	484,119	495,847	946,752	3,456	2,743	649
CAPITALIZED RELOCATION COSTS	PROD_DEMAND	65,489	33,787	1,095	6,330	7,227	5,656	9,853	59	1,316	166
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	RB_GUP	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	PROD_ENERGY	71,215	38,332	1,646	6,647	7,124	5,493	9,753	60	1,984	177
ACCRUED BOOK PENSION EXPENSE	LABOR_M	(235,644)	(126,839)	(5,447)	(21,994)	(23,573)	(18,175)	(32,271)	(198)	(6,564)	(585)
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	(7,044)	(3,792)	(163)	(657)	(705)	(543)	(965)	(6)	(198)	(17)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	(25,615)	(13,788)	(582)	(2,391)	(2,562)	(1,976)	(3,508)	(21)	(713)	(64)
POST RETIREMENT BENEFIT	LABOR_M	(253,642)	(130,858)	(4,241)	(24,516)	(27,992)	(21,994)	(38,162)	(227)	(5,098)	(644)
DEFERRED FUEL EXPENSE	RB_GUP	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,988
PROVISION FOR POSSIBLE REVENUE REFUNDS	FUELREV	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	REV	205,103	133,203	16,480	10,654	796	78	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	CUST_TOTAL	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(8,147)	(18,378)	(64)	(357)	(72)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	(20,105)	(6,833)	(202)	(1,793)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
DEFERRED COMPENSATION BOOK EXPENSE	PROD_ENERGY	6,700	4,683	201	812	870	671	1,191	7	242	22
ACCURVED STATE INCOME TAX EXPENSE	LABOR_M	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
ACCURVED RTO CARRYING CHARGES	REV	26,395	21,903	470	4,582	5,995	6,416	12,088	42	21	5
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	3,823	1,493	73	453	470	437	829	4	55	9
DEFERRED BOOK CONTRACT REVENUE	RB_GUP_EPIS_T	(965,612)	(519,754)	(22,319)	(90,124)	(96,597)	(74,477)	(132,239)	(810)	(26,896)	(2,397)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	REV	(639,950)	(217,508)	(6,426)	(57,078)	(73,818)	(65,970)	(193,947)	(671)	(3,770)	(761)
BOOK > TAX BASIS - EMA A/C 283	LABOR_M	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	130,920	44,498	1,315	11,677	15,102	17,588	39,677	137	771	166
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	(1,157,133)	(393,290)	(11,520)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET UNREAL MTM GAIN DEFERRAL	PROD_ENERGY	(76,982)	(32,727)	(702)	(6,847)	(8,958)	(9,586)	(18,062)	(63)	(31)	(7)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	3,773	1,947	63	365	416	568	568	3	76	10
CAPITALIZED SOFTWARE COST BOOK	RB_GUP	(393,117)	(202,815)	(6,572)	(37,997)	(43,384)	(33,949)	(59,147)	(352)	(7,902)	(998)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	176,535	91,077	2,951	17,063	19,482	15,245	26,561	158	3,548	448
ADVANCE RENTAL INCOME	RB_GUP	8,696	4,511	181	977	949	584	1,218	8	149	20
BOOK AMORTIZATION LOSS REAQUIRED DEBT	REV_OTHER	(28,139)	(14,517)	(470)	(2,720)	(3,105)	(2,430)	(4,234)	(25)	(566)	(71)
ACCURVED SFAS 112 POST EMPLOYMENT BENEFITS	RB_GUP	86,923	46,787	2,909	8,113	8,696	6,704	11,904	73	2,421	216
BOOK DEFERRAL MERGER COSTS	LABOR_M	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,216)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	REV	(71,407)	(38,436)	(1,651)	(6,665)	(7,143)	(5,508)	(9,779)	(60)	(1,989)	(177)
1977 - 1980 IRS AUDIT SETTLEMENT	LABOR_M	6,208	2,425	118	736	763	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	REV	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	REV	(47,195)	(25,403)	(1,091)	(4,405)	(4,721)	(3,640)	(6,463)	(40)	(1,315)	(117)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT	LABOR_M	(1,338,731)	(613,883)	(19,433)	(125,564)	(149,471)	(137,025)	(268,589)	(1,253)	(20,716)	(2,797)
TOTAL CURRENT YEAR DFIT		4,801,854	1,928,073	45,578	413,478	547,999	605,689	1,228,332	4,082	28,511	113

KENTUCKY POWER COMPANY
 CLASS COST OF SERVICE STUDY
 TWELVE MONTHS ENDED JUNE 30, 2005

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOB</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>DEFERRED FIT - PRIOR YEAR</u>											
TAXES CAPITALIZED	RB_GUP	(63,817)	(32,821)	(1,064)	(6,149)	(7,021)	(5,494)	(9,572)	(57)	(1,279)	(161)
PENSIONS CAPITALIZED	RB_GUP	(8,538)	(4,405)	(143)	(825)	(942)	(737)	(1,285)	(8)	(172)	(22)
SAVING PLAN CAPITALIZED	RB_GUP	(4,059)	(2,092)	(68)	(392)	(448)	(350)	(610)	(4)	(82)	(10)
ABFUDC	RB_CWIP	(519,030)	(276,784)	(9,413)	(50,918)	(56,700)	(40,956)	(69,906)	(473)	(12,293)	(1,546)
INTEREST CAPITALIZED	RB_GUP	249,355	128,646	4,169	24,102	27,519	21,534	37,517	223	5,012	833
ADR REPAIR ALLOWANCE	RB_GUP	(387,726)	(209,034)	(6,482)	(37,476)	(42,789)	(33,483)	(58,336)	(347)	(7,794)	(894)
BOOK VS TAX DEPRECIATION	RB_GUP	(506,680)	(261,404)	(8,471)	(48,974)	(55,917)	(43,758)	(76,234)	(454)	(10,185)	(1,286)
TOTAL PRIOR YEAR DFIT		(1,240,291)	(648,894)	(21,472)	(120,632)	(136,298)	(103,283)	(178,425)	(1,119)	(26,791)	(3,377)
FEDERAL INCOME TAXES	FORMULA	(3,660,566)	(9,849,487)	280,912	2,564,160	1,107,446	1,135,386	1,192,139	15,073	(175,219)	69,024
TOTAL INCOME TAXES		(5,008,792)	(12,185,312)	342,027	3,091,789	1,289,420	1,297,404	1,261,573	17,982	(209,358)	85,691
TOTAL EXPENSES	FORMULA	318,884,131	136,148,029	5,554,374	33,115,817	36,727,256	34,352,789	67,363,107	317,249	4,671,108	634,401
NET OPERATING INCOME	FORMULA	27,172,622	(962,193)	1,086,295	8,030,003	5,822,617	5,081,693	7,483,946	58,995	356,607	214,658
AFUDC OFFSET											
PRODUCTION	PROD_DEMAND	400,313	174,438	3,757	35,952	46,611	47,741	91,154	333	254	62
TRANSMISSION	TRANS_TOTAL	99,711	38,559	827	8,067	10,555	11,298	21,286	74	37	9
DISTRIBUTION	RB_GUP_EPIS_D	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656	714
GENERAL	LABOR_M	16,455	8,857	380	1,536	1,646	1,269	2,253	14	458	41
AFUDC OFFSET		608,522	289,870	7,997	56,733	68,932	62,436	114,787	525	6,415	826
AFUDC OFFSET ADJUSTMENT - ADJUSTMENT		625,507	297,961	8,221	58,317	70,856	64,179	117,991	540	6,594	849
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(374,363)	1,102,513	8,145,054	5,962,405	5,208,308	7,716,724	60,060	369,617	216,333

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: 12 CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
REVENUE REQUIREMENT ANALYSIS											
TOTAL RATE BASE		858,443,759	437,647,616	14,341,548	82,568,918	95,161,830	75,008,460	133,220,660	787,445	17,472,010	2,215,273
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(374,363)	1,102,513	8,145,054	5,962,405	5,208,308	7,716,724	60,060	369,617	216,333
CURRENT RATE OF RETURN		3.31%	-0.09%	7.69%	9.86%	6.26%	6.94%	5.79%	7.63%	2.12%	9.77%
TOTAL EXPENSES	FORMULA	318,884,131	136,148,029	5,554,374	33,115,817	36,727,256	34,352,789	67,363,107	317,249	4,671,108	634,401
TOTAL OPERATING REVENUE	FORMULA	346,056,753	136,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
SALES OF ELECTRICITY	FORMULA	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN		0.078407281	4.79%	11.78%	13.74%	10.50%	11.11%	10.08%	11.73%	6.77%	13.65%
REQUIRED INCOME	FORMULA	67,308,241	20,943,906	1,689,628	11,345,503	9,994,428	8,334,800	13,422,973	92,344	1,182,241	302,419
INCOME INCREASE	FORMULA	38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,706,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR		1.665645									
PROPOSED REVENUE INCREASE		64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,826	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE		19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA	410,852,992	170,694,505	7,618,594	46,476,832	49,265,793	44,642,108	84,351,637	430,017	6,381,259	992,447
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
REQUIRED RATE REVENUE	FORMULA	402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
REQUIRED RATE REVENUE	FORMULA										
		144,091,951	55,603,598	1,507,652	15,122,633	18,020,086	18,757,119	34,828,547	134,140	91,656	26,519
		29,446,720	9,192,834	351,470	3,778,773	4,048,576	4,315,961	7,703,598	31,577	17,251	6,681
		19,172,135	5,563,461	208,781	2,360,227	2,593,012	3,088,812	5,338,591	19,251	-	-
		40,750,475	24,087,467	820,148	7,248,571	6,552,830	1,834,998	-	65,735	109,511	31,216
		25,863,796	17,732,952	802,645	4,145,821	2,851,291	-	-	41,618	232,240	57,230
		116,572,944	38,457,396	1,210,677	10,710,708	13,646,927	15,864,860	35,725,679	125,591	688,282	142,824
		26,241,905	14,960,925	2,473,264	2,013,917	642,460	369,253	92,824	2,898	4,991,573	694,790
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
		259,325,078	112,180,313	3,690,695	32,656,026	34,065,795	27,998,890	47,870,738	292,321	450,657	121,647
		116,572,944	38,457,396	1,210,677	10,710,708	13,646,927	15,864,860	35,725,679	125,591	688,282	142,824
		26,241,905	14,960,925	2,473,264	2,013,917	642,460	369,253	92,824	2,898	4,991,573	694,790
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT __ (SJB-3)

OF

STEPHEN J. BARON

KENTUCKY POWER COMPANY
AVERAGE AND EXCESS CLASS COST OF SERVICE STUDY
12 MONTHS ENDED JUNE 30, 2005
Summary

	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
RATE BASE										
GROSS UTILITY PLANT	1,336,938,136	710,074,264	24,090,046	126,493,423	140,335,217	108,473,206	188,946,767	1,194,511	32,591,371	4,739,330
TOTAL DEPRECIATION RESERVE	432,998,450	227,314,918	7,585,529	40,483,810	45,302,350	36,263,626	64,080,124	383,352	10,074,482	1,510,260
NET UTILITY PLANT	903,939,686	482,759,346	16,504,517	86,009,613	95,032,868	72,209,581	124,866,643	811,159	22,516,889	3,229,070
TOTAL CWIP	19,159,718	10,622,269	383,664	1,820,354	1,942,083	1,373,598	2,340,220	17,367	574,803	85,361
PLANT HELD FOR FUTURE USE TRANS	83,282	35,419	760	7,405	9,685	10,366	19,532	68	38	9
TOTAL WORKING CAPITAL	73,842,577	31,276,562	1,069,893	6,579,463	7,933,417	8,246,447	17,479,279	70,535	1,028,712	158,269
TOTAL RATE BASE OFFSETS	(138,581,504)	(75,559,086)	(2,590,896)	(13,528,583)	(14,018,458)	(10,796,399)	(18,302,688)	(114,254)	(3,215,769)	(455,370)
TOTAL RATE BASE	858,443,759	449,134,509	15,367,939	80,888,252	90,899,595	71,043,593	126,402,986	784,874	20,904,672	3,017,339
OPERATING REVENUES										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,199,497	253,218	1,080,819	871,979	375,337	600,894	9,184	281,714	40,423
TOTAL OPERATING REVENUE	346,056,753	135,289,462	6,649,929	41,130,658	42,511,242	39,398,714	74,785,549	376,221	5,058,683	856,295
OPERATING EXPENSES										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	122,278,063	4,534,637	23,922,846	27,798,824	27,056,862	55,753,940	247,125	4,745,274	658,549
ADJUSTED DEPRECIATION EXPENSE	47,698,792	26,017,871	930,944	4,523,480	4,892,951	3,589,005	6,171,080	42,850	1,337,754	192,856
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	4,833,384	175,302	875,994	958,153	754,117	1,330,015	8,220	230,634	32,192
TOTAL STATE INCOME TAXES	(1,348,227)	(2,733,392)	25,592	585,798	330,184	299,244	305,398	2,998	(152,946)	(11,103)
FEDERAL INCOME TAXES	(3,660,566)	(11,523,120)	131,367	2,809,032	1,731,365	1,713,065	2,185,470	15,447	(675,355)	(47,836)
TOTAL EXPENSES	318,884,131	138,872,805	5,797,842	32,717,150	35,711,478	33,412,293	65,745,904	316,639	5,485,361	824,657
NET OPERATING INCOME	27,172,622	(3,583,343)	852,086	8,413,508	6,799,764	5,986,421	9,039,645	59,582	(426,678)	31,637
AFUDC OFFSET	1,234,029	621,636	19,239	110,104	127,185	114,946	212,714	1,057	23,112	4,036
ADJUSTED NET OPERATING INCOME	28,406,651	(2,961,707)	871,325	8,523,612	6,926,949	6,101,367	9,252,359	60,639	(403,567)	35,673
RATE OF RETURN %	3.31%	-0.66%	5.67%	10.54%	7.62%	8.59%	7.32%	7.73%	-1.93%	1.18%
RATE OF RETURN INDEX	100	(20)	171	318	230	260	221	233	(58)	36

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Average and Excess

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MSS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>ELECTRIC PLANT IN SERVICE</u>											
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	215,820,947	5,905,620	37,946,663	45,801,674	47,591,247	92,083,932	372,139	5,839,836	1,365,350
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	380,818,658	161,876,867	3,471,221	33,867,796	44,311,741	47,430,651	89,360,417	310,453	153,274	36,239
TRANSMISSION PLANT GSU TOTAL	PROD_DEMAND	1,577,091	751,819	20,572	132,188	159,552	165,786	320,777	1,296	20,343	4,756
TRANSMISSION PLANT		382,395,749	162,628,686	3,491,793	33,999,984	44,471,293	47,596,436	89,681,194	311,749	173,617	40,995
<u>DISTRIBUTION PLANT</u>											
360 LAND AND LAND RIGHTS	DIST_CPD	5,128,881	3,469,035	77,348	661,127	697,141	203,901	-	6,406	11,548	2,375
381 STRUCTURES AND IMPROVEMENTS	DIST_CPD	4,186,156	2,831,401	63,131	539,607	569,001	166,423	-	5,228	9,425	1,938
382 STATION EQUIPMENT	DIST_CPD	41,861,612	28,314,049	631,314	5,396,081	5,690,021	1,664,229	-	52,294	94,252	19,382
384 POLES	DIST_POLES	128,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	-	154,454	641,668	115,013
385 OVERHEAD LINES	DIST_OH LINES	102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	-	125,422	453,064	82,584
386 UNDERGROUND CONDUIT	DIST_UGLINES	3,053,885	2,174,074	55,055	370,136	358,221	75,880	-	3,732	14,214	2,574
387 UNDERGROUND LINES	DIST_UGLINES	5,923,247	4,216,785	106,784	717,907	694,797	147,176	-	7,238	27,568	4,992
388 TRANSFORMERS	DIST_TRANSF	84,645,406	65,272,101	1,941,723	9,172,683	7,391,425	-	-	99,632	732,928	124,914
389 SERVICES	DIST_SERV	31,586,289	20,547,459	2,542,225	1,628,486	99,567	-	-	2,987	6,757,741	7,823
370 METERS	DIST_METERS	20,937,281	9,482,984	3,791,663	3,707,766	2,533,860	1,602,733	413,817	4,457	-	-
371 INSTALLATIONS ON CUST PREMISES	DIST_OL	16,201,414	-	-	-	-	-	-	-	16,201,414	-
372 LEASED PROP ON CUST PREMISES	DIST_OL	-	-	-	-	-	-	-	-	-	-
373 STREET LIGHTING	DIST_SL	2,788,123	-	-	-	-	-	-	-	-	2,788,123
DISTRIBUTION PLANT TOTAL		445,596,962	299,944,584	13,376,603	49,295,028	44,625,288	9,386,261	413,817	461,841	24,843,822	3,149,718
PTD PLANT	FORMULA	1,280,720,319	678,394,217	22,774,016	121,241,675	134,898,456	104,573,944	182,178,944	1,145,729	30,957,275	4,556,064
GENERAL PLANT TOTAL	LABOR_M	49,011,035	27,198,787	1,205,942	4,454,717	4,598,012	3,497,844	6,226,509	40,914	1,609,552	178,758
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	750,450	16,162	154,670	200,526	205,384	392,153	1,431	1,136	269
ELECTRIC PLANT IN SERVICE		1,331,453,536	706,343,453	23,996,121	125,851,062	139,696,994	108,277,172	188,797,606	1,188,074	32,567,963	4,735,091
ELECTRIC PLANT IN SERVICE - ADJUSTMENT		5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
GROSS UTILITY PLANT	FORMULA	1,336,938,136	710,074,264	24,090,046	126,493,423	140,335,217	108,473,206	188,946,767	1,194,511	32,591,371	4,739,330
<u>DEPRECIATION RESERVE</u>											
PRODUCTION	RB_GUP_EPIS_P	172,837,498	82,393,810	2,254,584	14,486,871	17,485,749	18,168,877	35,154,818	142,071	2,229,470	521,249
TRANSMISSION	RB_GUP_EPIS_T	114,198,348	48,567,295	1,042,786	10,153,727	13,280,870	14,214,160	26,782,317	93,100	51,849	12,243
DISTRIBUTION	RB_GUP_EPIS_D	130,586,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G	14,698,381	8,166,900	361,661	1,335,967	1,378,941	1,049,001	1,867,327	12,270	482,704	53,610
HR-J POST IN-SERVICE	BULK_TRANS	678,019	295,450	6,363	60,893	78,947	80,859	154,390	564	447	106
TOTAL DEPRECIATION RESERVE		432,998,450	227,314,918	7,585,529	40,483,810	45,302,350	36,263,626	64,080,124	383,352	10,074,482	1,510,260
NET UTILITY PLANT	FORMULA	903,939,686	482,759,346	16,504,517	86,009,613	95,032,868	72,209,581	124,866,643	811,159	22,516,889	3,229,070

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Average and Excess

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	35,419	760	7,405	9,685	10,366	19,532	68	38	9
<u>WORKING CAPITAL</u>											
<u>WORKING CAPITAL CASH</u>											
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM	29,436,141	13,165,088	486,254	2,607,185	3,056,661	3,082,095	6,420,374	27,186	519,176	72,122
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	1,197,391	32,765	210,531	254,112	264,040	510,889	2,665	32,400	7,575
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY	13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH		45,120,342	18,839,568	651,296	3,992,583	4,830,216	5,115,705	10,923,374	43,067	629,174	95,358
WORKING CAPITAL CASH - ADJUSTMENT		3,938,374	2,119,670	80,576	383,170	418,193	300,012	548,869	3,705	73,984	10,196
<u>WORKING CAPITAL MATERIALS & SUPPLIES</u>											
FUEL	PROD_ENERGY	10,524,811	3,577,139	105,688	938,704	1,214,016	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,261	2,426,115	66,367	426,371	514,874	534,989	1,035,146	4,183	65,648	15,348
TRANSMISSION AND DISTRIBUTION	TOPLANT	888,306	496,042	18,077	89,343	95,603	61,226	96,877	830	26,892	3,416
TOTAL MATERIALS & SUPPLIES		16,502,178	6,499,295	190,152	1,454,617	1,824,493	2,010,080	4,321,670	16,053	154,540	31,278
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT		3,542,537	1,204,049	35,574	315,963	408,632	475,900	1,073,621	3,716	20,869	4,212
WORKING CAPITAL PREPAYMENTS	RS_GUP_EPIS	655,315	347,648	11,810	61,941	68,756	53,292	92,922	585	16,029	2,331
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT		4,083,831	2,266,331	100,485	371,188	383,128	291,457	518,822	3,409	134,115	14,895
TOTAL WORKING CAPITAL	FORMULA	73,842,577	31,276,562	1,069,893	6,579,463	7,933,417	8,246,447	17,479,279	70,535	1,028,712	158,269
<u>CONSTRUCTION WORK IN PROGRESS</u>											
PRODUCTION	RB_GUP_EPIS_P	9,503,956	4,530,655	123,975	796,601	961,503	999,067	1,933,087	7,812	122,594	28,662
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	512,168	10,997	107,077	140,054	149,896	282,434	982	547	129
DISTRIBUTION	RB_GUP_EPIS_D	7,524,931	5,065,255	225,895	832,460	753,601	156,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G	926,548	514,190	22,798	84,216	86,925	66,126	117,711	773	30,428	3,379
TOTAL CWIP		19,159,718	10,622,269	383,664	1,820,354	1,942,083	1,373,598	2,340,220	17,367	574,803	85,361
<u>RATE BASE OFFSETS</u>											
DEFERRED FIT	RB_GUP	(127,983,435)	(67,895,919)	(2,306,581)	(12,097,194)	(13,428,107)	(10,407,937)	(18,147,810)	(114,201)	(3,130,533)	(455,152)
CUSTOMER ADVANCES	CUST_TOTAL	(56,784)	(31,709)	(1,156)	(5,711)	(6,111)	(3,914)	(6,193)	(33)	(1,719)	(218)
CUSTOMER DEPOSITS	CUST_DEP	(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	-	(83,516)	-
TOTAL RATE BASE OFFSETS		(138,561,504)	(75,559,086)	(2,590,896)	(13,528,583)	(14,018,458)	(10,796,399)	(18,302,688)	(114,254)	(3,215,769)	(455,370)
TOTAL RATE BASE	FORMULA	888,443,759	449,134,509	15,387,939	80,888,252	90,899,595	71,043,593	126,402,986	784,874	20,804,672	3,017,339

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Average and Excess

<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>OPERATING REVENUES</u>										
TOTAL REVENUE	337,148,564	130,195,491	6,280,382	39,974,995	41,493,781	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS	195,124	(105,526)	116,329	74,844	145,482	(96,930)	-	1,457	61,686	(2,218)
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
<u>OTHER OPERATING REVENUES</u>										
FORFEITED DISCOUNTS	1,476,289	866,530	74,711	290,715	136,208	94,941	-	-	13,184	-
MISCELLANEOUS SERVICE REVENUE	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	-	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	2,189,343	1,473,712	65,723	242,200	219,257	46,117	2,033	2,269	122,656	15,475
OTHER ELECTRIC REVENUE WHEELING	172,219	73,206	1,570	15,316	20,039	21,450	40,412	140	69	16
OTHER ELECTRIC REVENUE PRODUCTION	5,856,518	1,990,532	58,811	\$22,350	675,550	786,758	1,774,909	6,143	34,501	6,983
TOTAL OTHER OPERATING REVENUES	12,983,134	6,734,212	269,617	1,458,565	1,416,918	1,021,869	1,817,991	12,432	221,866	29,682
OTHER OPERATING REVENUE - ADJUSTMENT	(4,270,069)	(1,534,715)	(16,400)	(377,746)	(544,939)	(646,532)	(1,217,097)	(3,248)	59,847	10,760
TOTAL OPERATING REVENUE	346,056,753	135,289,462	6,649,929	41,130,658	42,511,242	39,398,714	74,785,549	376,221	5,056,683	856,295

KENTUCKY POWER COMPANY
 CLASS COST OF SERVICE STUDY
 TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP TOD	MW	OL	SL
OPERATION AND MAINTENANCE EXPENSE										
O&M EXPENSE PRODUCTION										
GENERATION EXPENSE DEMAND	17,732,601	8,453,354	231,313	1,486,309	1,793,985	1,864,071	3,606,777	14,576	228,737	53,479
GENERATION EXPENSE ENERGY	10,290,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,671	10,794	60,621	12,234
GENERATION EXPENSE FUEL	110,407,982	37,525,820	1,108,716	9,847,431	12,735,582	14,832,086	33,460,859	115,811	650,412	131,265
SYSTEM SALES	(20,094,132)	(9,579,126)	(262,119)	(1,684,247)	(2,032,898)	(2,112,318)	(4,087,108)	(16,517)	(259,199)	(60,601)
PURCHASED POWER DEMAND	(105,379,475)	(35,816,715)	(1,058,220)	(9,398,932)	(12,155,543)	(14,156,562)	(31,936,892)	(110,536)	(620,789)	(125,287)
PURCHASED POWER ENERGY	70,249,303	33,488,727	916,369	5,888,147	7,107,032	7,384,688	14,288,574	57,744	906,162	211,860
SYSTEM CONTROL	96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,693	566,632	114,357
TOTAL PRODUCTION EXPENSES	2,769,001	1,320,018	36,120	232,092	260,136	291,081	563,210	2,276	35,718	8,351
O&M EXPENSE TOTAL TRANSMISSION	182,161,921	71,581,701	2,041,418	15,867,589	20,010,396	22,406,999	48,164,825	175,041	1,568,293	345,659
DISTRIBUTION OPERATION EXPENSE	514,789	218,824	4,692	45,782	59,900	64,117	120,797	420	207	49
580 SUPERVISION & ENGINEERING	890,661	580,069	39,751	100,698	90,030	24,113	2,236	835	46,359	6,570
581 LOAD DISPATCHING	339,546	229,660	5,121	43,768	46,153	13,499	-	424	764	157
582 STATION EXPENSES	206,824	139,890	3,119	26,660	26,112	8,222	-	258	466	96
583 OVERHEAD LINES	70,983	50,291	1,260	8,656	8,453	1,865	-	87	314	57
584 UNDERGROUND LINES	30,930	22,019	558	3,749	3,628	769	-	38	144	26
585 STREET LIGHTING	11,424	-	-	-	-	-	-	-	-	11,424
586 METERS	507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	-	-
587 CUSTOMER INSTALLS	266,495	173,191	21,428	13,826	963	37	-	25	56,960	66
588 MISCELLANEOUS DISTRIBUTION	2,692,528	1,812,421	80,828	297,866	269,649	56,717	2,500	2,791	150,724	19,032
589 RENTS	1,371,216	923,006	41,163	151,693	137,323	28,884	1,273	1,421	76,759	9,692
TOTAL DISTRIBUTION OPER EXP	6,387,913	4,160,318	285,099	722,217	645,707	172,939	16,037	5,987	332,488	47,121
DISTRIBUTION MAINTENANCE EXPENSE	12,353	8,438	227	1,429	1,373	285	1	14	497	91
590 SUPERVISION & ENGINEERING	7,628	5,159	115	983	1,037	303	-	10	17	4
591 STRUCTURES	670,333	453,395	10,109	86,408	91,115	26,649	-	837	1,509	310
592 STATION EQUIPMENT	11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	-	13,607	53,225	9,607
593 OVERHEAD LINES	103,865	73,942	1,872	12,589	12,183	2,581	-	127	483	88
594 UNDERGROUND LINES	604,245	465,948	13,861	65,480	52,122	-	-	711	5,232	892
595 LINE TRANSFORMER	86,472	-	-	-	-	-	-	-	-	86,472
596 STREET LIGHTING	70,662	32,004	12,797	10,489	8,552	5,409	1,397	15	-	-
597 METERS	468,604	-	-	-	-	-	-	-	468,604	-
598 MISC DISTRIBUTION PLANT	13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568	97,464
TOTAL DISTRIBUTION MAINT EXP	481,953	376,118	36,613	27,759	2,557	294	48	43	38,446	74
CUSTOMER ACCOUNTS	2,067,779	1,641,348	203,075	197,218	22,525	2,897	477	239	-	-
901 SUPERVISION	5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,086	1,196
902 METER READ	(20,325)	(13,200)	(1,633)	(1,056)	85	10	2	1	(4,341)	(5)
903 CUSTOMER RECORDS	15,976	12,468	1,214	920	79	8	(8)	(1)	1,274	2
904 UNCOLLECTIBLES	8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466	1,267
905 MISCELLANEOUS										
TOTAL CUSTOMER ACCOUNTS	1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270	338
TOTAL CUSTOMER SERVICES										

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

	METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	OL	SL
ADMINISTRATIVE & GENERAL EXPENSE											
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	4,315,265	118,081	758,730	915,793	951,570	1,841,186	7,441	116,765	27,300
A&G PRODUCTION ENERGY	PROD_ENERGY	2,655,730	902,638	26,669	236,868	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,768	723,806	15,521	151,434	198,133	212,078	399,560	1,388	685	162
A&G DISTRIBUTION	EXP_OM_DIST	7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,886
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT	2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV	642,816	417,474	51,652	33,390	2,494	246	40	61	137,301	159
A&G REGULATORY RECLASSIFIED	FORMULA	30,211	11,666	563	3,582	3,718	3,505	6,647	33	423	73
TOTAL A & G EXPENSES		23,617,485	13,024,926	579,255	2,150,480	2,224,512	1,703,250	3,059,018	19,850	771,113	85,081
TOTAL O&M EXPENSES		235,489,125	105,320,705	3,890,028	20,857,484	24,453,284	24,656,763	51,362,991	217,487	4,153,405	576,979
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT		31,506,995	16,957,358	644,609	3,065,362	3,345,541	2,400,099	4,390,950	29,638	591,869	81,570
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA	266,996,120	122,278,063	4,534,637	23,922,846	27,798,824	27,056,862	55,753,940	247,125	4,745,274	658,549
DEPRECIATION EXPENSE											
PRODUCTION	RB_GUP_EPIS_P	17,327,512	8,260,243	226,029	1,452,355	1,753,002	1,821,488	3,524,383	14,243	223,512	52,257
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	2,845,460	61,095	594,886	778,100	832,779	1,569,122	5,455	3,038	717
DISTRIBUTION	RB_GUP_EPIS_D	15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,999	111,246
GENERAL PLANT	RB_GUP_EPIS_G	4,287,524	2,379,371	105,497	389,702	402,238	305,994	544,700	3,579	140,805	15,638
TOTAL DEPRECIATION EXPENSE		44,043,880	24,078,920	865,074	4,178,012	4,509,475	3,291,778	5,652,821	39,589	1,248,354	179,858
DEPRECIATION EXPENSE - ADJUSTMENT		3,654,912	1,938,951	65,871	345,468	383,476	297,227	518,260	3,261	89,401	12,998
ADJUSTED DEPRECIATION EXPENSE	FORMULA	47,698,792	26,017,871	930,944	4,523,480	4,892,951	3,589,005	6,171,080	42,850	1,337,754	192,856
TAXES OTHER THAN INCOME											
FEDERAL INSURANCE TAX	LABOR_M	2,152,118	1,194,323	52,954	195,611	201,903	153,593	273,412	1,797	70,677	7,849
FEDERAL UNEMPLOYMENT TAX	LABOR_M	25,730	14,279	633	2,399	2,414	1,836	3,269	21	845	94
KENTUCKY SALES & USE TAX	TDPLANT	212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP	6,984,383	3,705,254	125,876	660,175	732,806	567,988	990,372	6,232	170,841	24,839
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP	584	310	11	55	61	47	83	1	14	2
KENTUCKY UNEMPLOYMENT TAX	LABOR_M	17,259	9,578	425	1,569	1,619	1,232	2,193	14	567	63
KENTUCKY PSC MAINTENANCE TAX RECLASSIFIED	FORMULA	504,415	194,788	9,396	59,807	62,080	58,528	110,869	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP	99	53	2	9	10	8	14	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	42,811	1,171	7,527	9,085	9,440	18,266	74	1,158	271
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP	3,271	1,735	59	309	343	266	464	3	80	12
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M	2,973	1,650	73	270	279	212	378	2	98	11
WEST VIRGINIA FRANCHISE TAX	LABOR_M	23,533	13,060	579	2,139	2,208	1,680	2,990	20	773	86
WEST VIRGINIA LICENSE TAX	LABOR_M	275	153	7	25	26	20	35	0	9	1
WYOMING LICENSE TAX	PROD_DEMAND	49	23	1	4	5	5	10	0	1	0
FRINGE BENEFIT LOADING FICA	LABOR_M	(805,537)	(447,035)	(19,821)	(73,217)	(75,572)	(57,490)	(102,338)	(672)	(26,454)	(2,938)
FRINGE BENEFIT LOADING FUT	LABOR_M	(12,251)	(6,799)	(301)	(1,114)	(1,149)	(874)	(1,556)	(10)	(402)	(45)
FRINGE BENEFIT LOADING SUT	LABOR_M	(5,307)	(2,945)	(131)	(482)	(498)	(379)	(674)	(4)	(174)	(19)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP	(44,296)	(23,499)	(798)	(4,187)	(4,648)	(3,602)	(6,281)	(40)	(1,084)	(158)
TOTAL TAXES OTHER THAN INCOME		8,937,315	4,697,857	170,140	850,861	930,995	732,526	1,291,647	7,985	224,012	31,293
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT		260,696	135,527	5,162	25,133	27,158	21,592	38,368	235	6,622	899
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA	9,198,011	4,833,384	175,302	875,994	958,153	754,117	1,330,015	8,220	230,634	32,192
TOTAL OPERATING REVENUE		346,056,753	135,289,462	6,649,929	41,130,658	42,511,242	39,398,714	74,785,549	376,221	5,058,683	856,295
TOTAL OPERATING EXPENSE BEFORE TAXES		323,892,923	153,129,318	5,640,883	29,322,320	33,649,929	31,399,984	63,255,036	298,194	6,313,662	883,587
GROSS OPERATING INCOME	FORMULA	22,163,830	(17,839,856)	1,009,046	11,808,338	8,861,314	7,998,730	11,530,513	78,027	(1,254,979)	(27,302)
INTEREST CHARGE TAX	RATEBASE	(28,829,564)	(15,083,518)	(516,110)	(2,716,512)	(3,052,728)	(2,385,894)	(4,245,057)	(26,359)	(702,053)	(101,333)
INTEREST SYNCHRONIZATION TAX	RATEBASE	1,221,632	639,153	21,870	115,110	129,357	101,101	179,881	1,117	29,749	4,294
NET OPER INCOME BEFORE INCOME TAX	FORMULA	(5,444,102)	(32,284,221)	514,805	9,206,936	5,937,942	5,713,937	7,465,337	52,785	(1,927,283)	(124,341)

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Average and Excess

<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>	
INCOME TAXES											
SCHEDULE M INCOME ADJUSTMENTS											
BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	(6,012,634)	(3,189,736)	(108,363)	(668,324)	(630,850)	(488,963)	(852,580)	(5,365)	(147,072)	(21,363)
BOOK VS TAX DEPRECIATION FLOWTHRU	RB_GUP	7,015,140	3,721,571	126,430	663,082	736,033	570,489	994,734	6,260	171,594	24,948
ABFUDC	RB_CWIP	(268,834)	(149,043)	(5,383)	(25,542)	(27,250)	(19,273)	(32,836)	(244)	(8,065)	(1,198)
INTEREST CAPITALIZATION	RB_GUP	465,437	246,917	8,388	43,994	48,834	37,851	65,998	415	11,385	1,655
CUSTOMER ADVANCES	CUST_TOTAL	1,030	669	83	54	4	0	0	0	220	0
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	200
PERCENT REPAIR ALLOWANCE	RB_GUP	(297,000)	(157,560)	(5,353)	(28,073)	(31,161)	(24,153)	(42,114)	(265)	(7,265)	(1,056)
REMOVAL COSTS	RB_GUP	(5,261,850)	(2,791,440)	(94,832)	(497,358)	(552,077)	(427,907)	(746,120)	(4,695)	(128,707)	(18,713)
DEFERRED FUEL	FUELREV	(4,802,865)	(1,601,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
TAX AMORTIZATION OF POLLUTION CONTROL	PROD_DEMAND	(11,879,328)	(5,663,025)	(154,960)	(995,700)	(1,201,816)	(1,248,769)	(2,416,233)	(9,765)	(153,234)	(35,826)
CAPITALIZED RELOCATION COSTS	RB_GUP	(187,110)	(99,263)	(3,372)	(17,686)	(19,632)	(15,216)	(26,532)	(167)	(4,577)	(665)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	(5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(697,639)	(1,573,859)	(5,447)	(30,593)	(6,174)
PROVISION FOR WORKERS COMP	LABOR_M	(203,472)	(112,917)	(5,007)	(18,494)	(19,089)	(14,521)	(25,850)	(170)	(6,682)	(742)
ACCRUED BOOK PENSION EXPENSE	LABOR_M	673,275	373,636	16,566	61,195	63,164	48,051	85,535	562	22,111	2,456
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	20,125	11,168	495	1,829	1,888	1,436	2,557	17	661	73
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	73,185	40,614	1,801	6,652	6,866	5,223	9,298	61	2,403	267
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	(586,005)	(380,578)	(47,087)	(30,439)	(2,274)	(224)	(37)	(55)	(125,166)	(145)
REG ASSET ON UNREALIZED LOSS FWD CMMT	PROD_ENERGY	173,273	58,893	1,740	15,454	19,987	23,277	52,513	182	1,021	206
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	57,444	19,524	577	5,124	6,626	7,717	17,409	60	338	68
AOFUDC - HR/J	BULK_TRANS	11,205	4,883	105	1,006	1,305	1,336	2,551	9	7	2
POST RETIREMENT BENEFIT PAYMENT	RB_GUP	(111,083)	(58,930)	(2,002)	(10,500)	(11,655)	(9,034)	(15,751)	(99)	(2,717)	(395)
ADVANCE RENTAL INCOME	REV_OTHER	(24,844)	(12,886)	(516)	(2,791)	(2,711)	(1,955)	(3,479)	(24)	(425)	(57)
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP	80,394	42,649	1,449	7,599	8,435	6,538	11,400	72	1,966	286
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	LABOR_M	34,482	19,136	848	3,134	3,235	2,461	4,381	29	1,132	126
VACATION PAY SEC 481	LABOR_M	134,841	74,830	3,318	12,256	12,650	9,623	17,131	113	4,428	492
SEC 481 3-YR ADJ PROPERTY TAX	RB_GUP	206	109	4	19	22	17	29	0	5	1
DEFERRED COMPENSATION PAYMENTS	LABOR_M	(24,856)	(13,794)	(612)	(2,259)	(2,332)	(1,774)	(3,158)	(21)	(816)	(91)
ACCRUED STATE INCOME TAX EXPENSE	REV	95,635	37,351	1,820	11,331	11,754	10,932	20,748	104	1,365	231
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	(147,206)	(62,605)	(1,344)	(13,089)	(17,120)	(18,323)	(34,523)	(120)	(67)	(16)
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	(75,416)	(32,074)	(689)	(6,705)	(8,771)	(9,387)	(17,687)	(61)	(34)	(8)
DEFERRED BOOK CONTRACT REVENUE	REV	(10,923)	(4,266)	(208)	(1,294)	(1,342)	(1,249)	(2,370)	(12)	(156)	(26)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	2,758,889	1,531,052	67,884	250,761	258,828	196,898	350,498	2,303	90,604	10,063
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	1,828,429	621,452	18,361	163,080	210,910	245,629	554,134	1,918	10,771	2,174
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	(93,324)	(31,719)	(937)	(8,324)	(10,765)	(12,537)	(28,283)	(98)	(550)	(111)
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	(374,055)	(127,135)	(3,756)	(33,362)	(43,147)	(50,250)	(113,363)	(392)	(2,204)	(445)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	PROD_ENERGY	3,306,097	1,123,687	33,200	294,875	381,359	444,137	1,001,964	3,468	19,476	3,931
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	219,950	93,542	2,008	19,556	25,579	27,377	51,584	179	100	24
CAPITALIZED SOFTWARE COSTS TAX	RB_GUP	(10,781)	(5,719)	(194)	(1,019)	(1,131)	(877)	(1,529)	(10)	(264)	(38)
CAPITALIZED SOFTWARE COSTS BOOK	RB_GUP	1,123,198	595,863	20,243	106,166	117,847	91,341	159,267	1,002	27,474	3,994
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	(504,384)	(267,578)	(9,090)	(47,675)	(52,920)	(41,018)	(71,521)	(450)	(12,337)	(1,794)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	(248,345)	(137,820)	(6,111)	(22,573)	(23,299)	(17,724)	(31,550)	(207)	(8,156)	(908)
BOOK DEFERRAL MERGER COSTS	REV	529,635	206,855	10,078	62,754	65,094	60,542	114,903	574	7,557	1,278
SFAS 109 DEFERRED SIT LIABILITY	REV	(7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	(819,350)	(1,555,061)	(7,764)	(102,279)	(17,300)
REG ASSET SFAS 109 DEFERRED SIT LIABILITY	REV	7,167,903	2,799,507	136,397	849,288	880,956	819,350	1,555,061	7,764	102,279	17,300
REG ASSET ACCRUED SFAS 112	LABOR_M	204,015	113,219	5,020	18,543	19,140	14,560	25,919	170	6,700	744
1977 - 1980 IRS AUDIT SETTLEMENT	REV	(17,736)	(6,927)	(337)	(2,101)	(2,180)	(2,027)	(3,848)	(19)	(253)	(43)
1985 - 1987 IRS AUDIT SETTLEMENT	REV	(824)	(322)	(16)	(98)	(101)	(94)	(179)	(1)	(12)	(2)
IRS AUDIT SETTLEMENTS PERM	REV	6,789	2,652	129	804	834	776	1,473	7	97	16
MANUFACTURING DEDUCTION	PROD_DEMAND	(627,096)	(288,945)	(8,180)	(52,662)	(63,443)	(65,921)	(127,550)	(515)	(8,089)	(1,891)
TOTAL SCHEDULE M ADJUSTMENTS		(18,867,702)	(7,997,768)	(235,709)	(1,511,086)	(1,862,635)	(2,010,085)	(4,098,028)	(15,556)	(292,721)	(44,113)
SCHEDULE M - ADJUSTMENT		4,834,630	2,332,203	77,497	448,879	518,350	458,584	884,011	4,477	96,248	14,379

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	OL	SL
BONUS DEPRECIATION ADJUSTMENT FOR STATE	(55,930)	(29,671)	(1,008)	(5,287)	(5,868)	(4,548)	(7,931)	(50)	(1,368)	(199)
STATE TAXABLE INCOME	(18,733,104)	(37,979,457)	355,585	8,139,443	4,587,789	4,157,887	4,243,389	41,656	(2,125,124)	(154,274)
STATE INCOME TAX KENTUCKY	(1,311,317)	(2,658,562)	24,891	569,761	321,145	291,052	297,037	2,916	(148,759)	(10,799)
STATE INCOME TAX OHIO	(28,997)	(58,789)	550	12,599	7,101	6,436	6,436	64	(3,280)	(239)
STATE INCOME TAX WEST VIRGINIA	(7,912)	(16,041)	150	3,438	1,938	1,756	1,792	18	(898)	(65)
TOTAL STATE INCOME TAXES	(1,348,227)	(2,733,392)	25,592	585,798	330,184	299,244	305,398	2,998	(152,946)	(11,103)
TAXABLE OPERATING INCOME	(17,328,947)	(35,216,393)	331,002	7,558,932	4,263,473	3,863,191	3,945,922	38,707	(1,970,810)	(142,972)
GROSS CURRENT FIT	(6,065,132)	(12,325,738)	119,851	2,645,626	1,492,216	1,352,117	1,381,073	13,548	(689,783)	(50,040)
FEEDBACK PRIOR ITC NORMALIZATION TAX	(1,156,997)	(613,793)	(20,852)	(109,361)	(121,393)	(94,090)	(164,060)	(1,032)	(28,301)	(4,115)
CURRENT FIT AND ITC	(7,222,129)	(12,939,531)	94,999	2,536,265	1,370,823	1,258,027	1,217,013	12,515	(718,084)	(54,155)
DEFERRED FIT - CURRENT YEAR										
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	1,793,574	951,501	32,325	169,531	188,183	145,858	254,325	1,600	43,872	6,379
ABFUDC	101,807	56,442	2,039	9,673	10,319	7,299	12,435	92	3,054	454
WSEC 482 PENSION/OPEB ADJUSTMENT	(72)	(40)	(2)	(7)	(7)	(5)	(9)	(0)	(2)	(0)
INTEREST CAPITALIZATION	(162,904)	(86,421)	(2,936)	(15,398)	(17,092)	(13,248)	(23,099)	(145)	(3,985)	(579)
CUSTOMER ADVANCES	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	103,850	55,146	1,873	9,826	10,907	8,453	14,740	93	2,543	370
TAX AMORTIZATION POLLUTION CONTROL	4,157,765	1,982,059	54,236	348,495	420,636	437,069	845,681	3,418	53,632	12,539
CAPITALIZED RELOCATION COSTS	65,489	34,742	1,180	6,190	6,871	5,326	9,286	58	1,602	233
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	71,215	39,521	1,752	6,473	6,681	5,083	9,047	59	2,339	260
ACCRUED BOOK PENSION EXPENSE	(235,644)	(130,771)	(5,798)	(21,418)	(22,107)	(16,818)	(29,937)	(197)	(7,739)	(659)
SUPPLEMENTAL EXECUTIVE RETIREMENT	(7,044)	(3,909)	(173)	(640)	(661)	(503)	(895)	(6)	(231)	(26)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	(25,815)	(14,215)	(630)	(2,328)	(2,403)	(1,828)	(3,254)	(21)	(841)	(93)
POST RETIREMENT BENEFIT	(253,642)	(134,558)	(4,571)	(23,975)	(26,612)	(20,627)	(35,966)	(226)	(6,204)	(902)
DEFERRED FUEL EXPENSE	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,968
PROVISION FOR POSSIBLE REVENUE REFUNDS	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	205,103	133,203	16,480	10,654	796	78	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(8,147)	(18,379)	(64)	(357)	(72)
DEFERRED COMPENSATION BOOK EXPENSE	(20,105)	(6,833)	(202)	(1,783)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
ACCURUED STATE INCOME TAX EXPENSE	8,700	4,828	214	781	816	621	1,105	7	286	32
ACCURUED RTO CARRYING CHARGES	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
REG ASSET ON DEFERRED RTO COSTS	51,522	21,912	470	4,581	5,992	6,413	12,083	42	23	6
DEFERRED BOOK CONTRACT REVENUE	26,395	11,226	241	2,347	3,070	3,285	6,190	22	12	3
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	3,823	1,493	73	453	470	437	829	4	55	9
BOOK > TAX BASIS - EMA A/C 283	(965,612)	(535,669)	(23,759)	(87,767)	(90,590)	(85,970)	(122,674)	(806)	(31,711)	(3,522)
DEFERRED TAX GAIN INTERCO SALE EMA	(639,950)	(217,508)	(6,426)	(57,078)	(73,818)	(85,970)	(193,947)	(671)	(3,770)	(761)
DEFERRED TAX GAIN EPA AUCTION	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
REG ASSET UNREAL MTM GAIN DEFERRAL	130,920	44,498	1,315	11,677	15,102	17,588	39,677	137	771	166
DEFERRED TAX GAIN INTERCO SALE EMA	(1,157,133)	(393,290)	(11,620)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET DEFERRED EQUITY CARRYING	(76,982)	(32,740)	(703)	(6,845)	(8,953)	(9,582)	(18,054)	(63)	(35)	(8)
CAPITALIZED SOFTWARE COST TAX	3,773	2,002	68	357	396	307	535	3	92	13
CAPITALIZED SOFTWARE COST BOOK	(393,117)	(208,551)	(7,085)	(37,158)	(41,246)	(31,969)	(55,743)	(351)	(9,616)	(1,398)
BOOK LEASES CAPITALIZED FOR TAX	176,535	93,653	3,182	16,686	18,522	14,356	25,032	158	4,318	628
ADVANCE RENTAL INCOME	8,696	4,511	181	977	949	684	1,218	8	149	20
BOOK AMORTIZATION LOSS REAQUIRED DEBT	(28,139)	(14,928)	(507)	(2,660)	(2,952)	(2,208)	(3,990)	(25)	(688)	(100)
ACCURUED SFAS 112 POST EMPLOYMENT BENEFITS	86,923	48,238	2,139	7,901	8,155	6,204	11,043	73	2,855	317
BOOK DEFERRAL MERGER COSTS	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,218)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	(71,407)	(39,627)	(1,757)	(6,490)	(6,699)	(5,096)	(9,072)	(60)	(2,345)	(260)
1977 - 1980 IRS AUDIT SETTLEMENT	6,208	2,425	118	736	763	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	(47,195)	(26,191)	(1,161)	(4,290)	(4,428)	(3,368)	(5,996)	(39)	(1,550)	(172)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT	(1,338,731)	(626,860)	(20,593)	(123,865)	(144,633)	(132,546)	(260,886)	(1,250)	(24,594)	(3,703)
TOTAL CURRENT YEAR DFIT	4,801,854	2,086,797	59,761	390,255	488,828	550,903	1,134,126	4,046	75,942	11,196

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: *Average and Excess*

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>DEFERRED FIT - PRIOR YEAR</u>											
TAXES CAPITALIZED	RB_GUP	(63,617)	(33,749)	(1,147)	(6,013)	(6,675)	(5,173)	(9,021)	(57)	(1,566)	(226)
PENSIONS CAPITALIZED	RB_GUP	(8,538)	(4,529)	(154)	(807)	(896)	(694)	(1,211)	(8)	(209)	(30)
SAVING PLAN CAPITALIZED	RB_GUP	(4,055)	(2,151)	(73)	(383)	(425)	(330)	(575)	(4)	(99)	(14)
ABFUDC	RB_CWIP	(519,030)	(287,754)	(10,393)	(49,313)	(52,610)	(37,210)	(63,396)	(470)	(15,571)	(2,312)
INTEREST CAPITALIZED	RB_GUP	249,355	132,284	4,494	23,569	26,162	20,278	35,358	223	6,099	887
ADR REPAIR ALLOWANCE	RB_GUP	(387,726)	(205,691)	(6,989)	(36,648)	(40,680)	(31,531)	(54,979)	(346)	(9,484)	(1,379)
BOOK VS TAX DEPRECIATION	RB_GUP	(506,680)	(268,797)	(9,132)	(47,892)	(53,161)	(41,205)	(71,846)	(452)	(12,394)	(1,802)
TOTAL PRIOR YEAR DFIT		(1,240,291)	(670,388)	(23,392)	(117,487)	(128,286)	(95,865)	(165,669)	(1,114)	(33,214)	(4,877)
FEDERAL INCOME TAXES	FORMULA	(3,660,566)	(11,523,120)	131,367	2,809,032	1,731,365	1,713,065	2,185,470	15,447	(675,355)	(47,836)
TOTAL INCOME TAXES		(5,008,792)	(14,256,513)	156,959	3,394,830	2,061,590	2,012,309	2,490,868	16,445	(828,301)	(58,940)
TOTAL EXPENSES	FORMULA	318,854,131	138,872,805	5,797,842	32,717,150	35,711,478	33,412,293	65,745,904	315,639	5,485,361	624,657
NET OPERATING INCOME	FORMULA	27,172,622	(3,583,343)	852,086	8,413,508	6,799,764	5,986,421	9,039,645	59,582	(426,678)	31,637
<u>AFUDC OFFSET</u>											
PRODUCTION	PROD_DEMAND	400,313	190,834	5,222	33,553	48,499	42,081	81,423	329	5,164	1,207
TRANSMISSION	TRANS_TOTAL	90,711	38,559	827	8,067	10,555	11,298	21,286	74	37	9
DISTRIBUTION	RB_GUP_EPIS_D	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656	714
GENERAL	LABOR_M	16,455	9,132	405	1,496	1,544	1,174	2,090	14	540	60
AFUDC OFFSET		608,522	306,540	9,487	54,294	62,717	56,682	104,893	521	11,397	1,990
AFUDC OFFSET ADJUSTMENT - ADJUSTMENT		625,507	315,096	9,752	55,810	64,468	58,264	107,821	536	11,715	2,046
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(2,961,707)	871,325	8,523,612	6,926,949	6,101,367	9,252,359	60,639	(403,567)	35,673

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Average and Excess

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
REVENUE REQUIREMENT ANALYSIS											
TOTAL RATE BASE		858,443,759	449,134,509	15,367,939	80,888,252	90,899,595	71,043,593	126,402,986	784,874	20,904,672	3,017,339
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(2,961,707)	871,325	8,523,812	6,926,949	8,101,367	9,252,359	60,639	(403,567)	35,673
CURRENT RATE OF RETURN		3.31%	-0.66%	5.67%	10.54%	7.62%	8.59%	7.32%	7.73%	-1.93%	1.18%
TOTAL EXPENSES	FORMULA	318,884,131	138,872,805	5,797,842	32,717,150	35,711,478	33,412,283	65,745,904	316,639	5,485,361	824,657
TOTAL OPERATING REVENUE	FORMULA	346,056,753	135,289,462	6,649,929	41,130,658	42,511,242	39,398,714	74,785,549	376,221	5,058,683	856,295
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,199,497	253,218	1,080,819	871,979	375,337	600,894	9,184	281,714	40,423
SALES OF ELECTRICITY	FORMULA	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN		0.078407281	4.09%	9.49%	14.49%	12.06%	12.99%	11.83%	11.84%	1.96%	4.04%
REQUIRED INCOME	FORMULA	67,308,241	18,356,563	1,458,440	11,724,061	10,958,972	9,227,859	14,958,607	92,923	409,057	121,759
INCOME INCREASE	FORMULA	38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,706,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR		1.665645									
PROPOSED REVENUE INCREASE		64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,626	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE		19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA	410,852,992	170,798,131	7,627,854	46,461,470	49,227,161	44,606,340	84,290,133	429,994	5,412,226	999,683
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,199,497	253,218	1,080,819	871,979	375,337	600,894	9,184	281,714	40,423
REQUIRED RATE REVENUE	FORMULA	402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
REQUIRED RATE REVENUE	FORMULA	143,874,454	59,303,017	1,958,142	14,383,958	16,362,922	17,390,600	32,468,418	133,096	1,497,753	376,548
		30,787,695	8,470,719	301,038	3,939,419	4,474,075	4,860,915	8,697,128	31,803	9,568	3,031
		20,480,377	5,133,413	179,094	2,458,561	2,855,876	3,524,195	6,309,849	19,388	-	-
		40,379,123	22,918,799	732,096	7,496,121	7,100,854	1,872,542	-	86,083	74,920	17,708
		25,171,498	16,806,456	712,875	4,310,061	3,109,058	-	-	41,851	158,951	32,247
		117,136,486	38,280,501	1,191,386	10,761,756	13,782,013	16,079,803	36,116,292	125,681	664,595	134,457
		24,310,294	14,685,728	2,300,004	2,030,775	670,384	402,948	97,552	2,908	3,724,726	395,269
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
		260,693,146	112,632,405	3,883,246	32,588,119	33,902,785	27,748,252	47,475,395	292,220	1,741,192	429,533
		117,136,486	38,280,501	1,191,386	10,761,756	13,782,013	16,079,803	36,116,292	125,681	664,595	134,457
		24,310,294	14,685,728	2,300,004	2,030,775	670,384	402,948	97,552	2,908	3,724,726	395,269
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
		260,693,146	112,632,405	3,883,246	32,588,119	33,902,785	27,748,252	47,475,395	292,220	1,741,192	429,533
		117,136,486	38,280,501	1,191,386	10,761,756	13,782,013	16,079,803	36,116,292	125,681	664,595	134,457
		24,310,294	14,685,728	2,300,004	2,030,775	670,384	402,948	97,552	2,908	3,724,726	395,269
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT_(SJB-4)

OF

STEPHEN J. BARON

KENTUCKY POWER COMPANY
WINTER (SINGLE) CP CLASS COST OF SERVICE STUDY
12 MONTHS ENDED JUNE 30, 2005
Summary

	<u>TOTAL</u> <u>RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>RATE BASE</u>										
GROSS UTILITY PLANT	1,336,938,136	741,224,330	23,154,004	124,240,659	144,718,682	101,998,757	170,669,375	1,149,741	26,473,592	3,308,997
TOTAL DEPRECIATION RESERVE	432,998,450	239,091,063	7,231,662	39,632,162	46,959,499	33,815,989	57,170,436	366,427	7,761,682	969,529
NET UTILITY PLANT	903,939,686	502,133,267	15,922,342	84,608,496	97,759,183	68,182,768	113,498,939	783,314	18,711,909	2,339,468
TOTAL CWIP	19,159,718	11,271,605	364,152	1,773,394	2,033,458	1,238,635	1,959,220	16,433	447,275	55,545
PLANT HELD FOR FUTURE USE TRANS	83,282	35,441	760	7,403	9,689	10,361	19,518	68	33	8
TOTAL WORKING CAPITAL	73,842,577	32,667,940	1,028,083	6,478,839	8,129,213	7,957,253	16,662,883	68,535	755,449	94,381
TOTAL RATE BASE OFFSETS	(138,581,504)	(78,553,334)	(2,500,921)	(13,312,040)	(14,439,812)	(10,174,053)	(16,545,804)	(109,951)	(2,627,708)	(317,882)
TOTAL RATE BASE	858,443,759	467,554,919	14,814,416	79,556,093	93,491,731	67,214,965	115,594,756	758,399	17,286,959	2,171,520
<u>OPERATING REVENUES</u>										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,365,673	248,224	1,068,802	895,364	340,798	503,390	8,945	249,077	32,792
TOTAL OPERATING REVENUE	346,056,753	135,455,638	6,644,935	41,118,641	42,534,627	39,364,175	74,688,045	375,982	5,026,046	848,664
<u>OPERATING EXPENSES</u>										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	128,417,376	4,350,154	23,478,853	28,662,754	25,780,824	52,151,681	238,301	3,539,531	376,647
ADJUSTED DEPRECIATION EXPENSE	47,698,792	27,357,994	890,674	4,426,562	5,081,534	3,310,464	5,384,759	40,924	1,074,558	131,321
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	5,044,788	168,949	860,706	987,902	710,178	1,205,973	7,916	189,115	22,484
TOTAL STATE INCOME TAXES	(1,348,227)	(3,370,933)	44,749	631,905	240,469	431,755	679,477	3,914	(27,735)	18,171
FEDERAL INCOME TAXES	(3,660,566)	(14,206,963)	212,015	3,003,127	1,353,693	2,270,894	3,760,222	19,305	(148,257)	75,399
TOTAL EXPENSES	318,884,131	143,242,263	5,666,542	32,401,153	36,326,352	32,504,114	63,182,112	310,359	4,627,213	624,023
NET OPERATING INCOME	27,172,622	(7,786,625)	978,393	8,717,488	6,208,275	6,860,061	11,505,933	65,623	398,834	224,642
AFUDC OFFSET	1,234,029	675,848	17,610	106,184	134,813	103,679	180,905	980	12,465	1,547
ADJUSTED NET OPERATING INCOME	28,406,651	(7,110,777)	996,002	8,823,672	6,343,088	6,963,739	11,686,838	66,603	411,298	226,188
RATE OF RETURN %	3.31%	-1.52%	6.72%	11.09%	6.78%	10.36%	10.11%	8.78%	2.38%	10.42%
RATE OF RETURN INDEX	100	(46)	203	335	205	313	306	265	72	315

KENTUCKY POWER COMPANY
 CLASS COST OF SERVICE STUDY
 TWELVE MONTHS ENDED JUNE 30, 2005

	METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	QL	SL
ELECTRIC PLANT IN SERVICE											
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	245,555,801	5,012,104	35,796,247	49,986,189	41,410,945	74,636,920	329,403	-	-
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	380,818,658	161,876,867	3,471,221	33,867,796	44,311,741	47,430,651	89,360,417	310,453	153,274	36,239
TRANSMISSION PLANT GSU TOTAL	PROD_DEMAND	1,577,091	855,401	17,460	124,697	174,128	144,256	260,000	1,147	-	-
TRANSMISSION PLANT		382,395,749	162,732,268	3,488,680	33,992,493	44,485,870	47,574,907	89,620,417	311,600	153,274	36,239
DISTRIBUTION PLANT											
350 LAND AND LAND RIGHTS	DIST_CPD	5,128,881	3,469,035	77,348	661,127	697,141	203,901	-	6,406	11,548	2,375
361 STRUCTURES AND IMPROVEMENTS	DIST_CPD	4,186,156	2,831,401	63,131	539,607	569,001	166,423	-	5,226	9,425	1,938
362 STATION EQUIPMENT	DIST_CPD	41,861,612	28,314,049	631,314	5,396,081	5,690,021	1,664,229	-	52,284	94,252	19,382
364 POLES	DIST_POLES	126,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	-	154,454	641,668	115,013
365 OVERHEAD LINES	DIST_OHLINES	102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	-	125,422	453,064	82,584
366 UNDERGROUND CONDUIT	DIST_UGLINES	3,053,685	2,174,074	55,055	370,136	358,221	75,880	-	3,732	14,214	2,574
367 UNDERGROUND LINES	DIST_UGLINES	5,923,247	4,216,785	106,784	717,907	694,797	147,176	-	7,238	27,568	4,992
368 TRANSFORMERS	DIST_TRANSF	84,645,406	65,272,101	1,941,723	9,172,683	7,301,425	-	-	99,632	732,928	124,914
369 SERVICES	DIST_SERV	31,586,289	20,547,459	2,542,225	1,628,486	99,567	-	-	2,987	6,757,741	7,823
370 METERS	DIST_METERS	20,937,281	9,482,984	3,791,663	3,107,766	2,533,860	1,602,733	413,817	4,457	-	-
371 INSTALLATIONS ON CUST PREMISES	DIST_OL	16,201,414	-	-	-	-	-	-	-	16,201,414	-
372 LEASED PROP ON CUST PREMISES	DIST_OL	-	-	-	-	-	-	-	-	-	-
373 STREET LIGHTING	DIST_SL	2,788,123	-	-	-	-	-	-	-	-	2,788,123
DISTRIBUTION PLANT TOTAL		445,596,962	299,944,584	13,376,603	49,295,028	44,625,288	9,386,261	413,817	461,841	24,943,822	3,149,718
PTD PLANT	FORMULA	1,280,720,319	708,232,654	21,877,387	119,083,768	139,097,346	98,372,113	164,671,154	1,102,843	25,097,096	3,185,957
GENERAL PLANT TOTAL	LABOR_M	49,011,035	28,510,416	1,166,529	4,359,860	4,782,586	3,225,226	5,456,907	39,029	1,351,952	118,532
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	750,450	16,162	154,670	200,526	205,384	392,153	1,431	1,136	269
ELECTRIC PLANT IN SERVICE		1,331,453,536	737,493,519	23,060,078	123,598,298	144,086,458	101,802,723	170,520,214	1,143,304	26,450,184	3,304,758
ELECTRIC PLANT IN SERVICE - ADJUSTMENT		5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
GROSS UTILITY PLANT	FORMULA	1,336,938,136	741,224,330	23,154,004	124,240,659	144,718,682	101,998,757	170,669,375	1,149,741	26,473,592	3,308,997
DEPRECIATION RESERVE											
PRODUCTION	RB_GUP_EPIS_P	172,837,498	93,745,664	1,913,467	13,865,908	19,983,192	15,809,427	28,494,084	125,756	-	-
TRANSMISSION	RB_GUP_EPIS_T	114,198,348	48,598,229	1,041,857	10,151,490	13,285,223	14,207,731	26,764,167	93,056	45,774	10,822
DISTRIBUTION	RB_GUP_EPIS_D	130,566,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G	14,698,381	8,550,257	349,841	1,307,520	1,434,295	967,243	1,636,523	11,705	405,450	35,548
HR-J POST IN-SERVICE	BULK_TRANS	676,019	295,450	6,363	60,893	76,947	80,859	154,390	564	447	106
TOTAL DEPRECIATION RESERVE		432,998,450	239,091,063	7,231,662	39,632,162	46,959,499	33,815,989	57,170,436	366,427	7,761,692	969,529
NET UTILITY PLANT	FORMULA	903,939,686	502,133,267	15,922,342	84,608,496	97,759,183	68,182,768	113,498,939	783,314	18,711,909	2,339,468

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>GIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	35,441	760	7,403	9,689	10,361	19,518	68	33	8
<u>WORKING CAPITAL</u>											
<u>WORKING CAPITAL CASH</u>											
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM	29,436,141	13,819,492	466,589	2,559,859	3,148,749	2,946,980	8,036,401	28,245	390,653	42,074
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	1,362,362	27,806	198,600	277,327	229,751	414,091	1,828	-	-
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY	13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH		45,120,342	19,658,943	626,674	3,933,326	4,945,519	4,945,401	10,442,603	41,890	468,251	57,735
WORKING CAPITAL CASH - ADJUSTMENT		3,938,374	2,232,680	77,180	374,997	434,086	276,523	482,559	3,542	51,789	5,007
<u>WORKING CAPITAL MATERIALS & SUPPLIES</u>											
FUEL	PROD_ENERGY	10,524,611	3,577,139	105,688	938,704	1,214,016	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,281	2,760,374	56,343	402,397	561,911	465,514	839,018	3,703	-	-
TRANSMISSION AND DISTRIBUTION	TDPLANT	888,306	496,153	18,074	89,335	95,619	61,203	96,812	830	26,871	3,411
TOTAL MATERIALS & SUPPLIES		16,502,178	6,833,665	180,104	1,430,436	1,871,546	1,940,582	4,125,478	15,572	88,871	15,924
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT		3,542,537	1,204,049	35,574	315,963	408,632	475,900	1,073,621	3,716	20,869	4,212
WORKING CAPITAL PREPAYMENTS	RB_GUP_EPIS	655,315	362,980	11,350	60,833	70,914	50,105	83,927	563	13,018	1,627
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT		4,083,831	2,375,623	97,201	363,284	398,508	268,741	454,695	3,252	112,651	9,877
TOTAL WORKING CAPITAL	FORMULA	73,842,577	32,667,940	1,028,083	6,478,839	8,129,213	7,957,253	16,662,893	68,535	755,449	94,381
<u>CONSTRUCTION WORK IN PROGRESS</u>											
PRODUCTION	RB_GUP_EPIS_P	9,503,956	5,154,889	105,217	751,458	1,049,343	869,326	1,566,827	6,915	-	-
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	512,494	10,967	107,053	140,100	149,828	282,243	981	483	114
DISTRIBUTION	RB_GUP_EPIS_D	7,524,931	5,065,255	225,895	832,460	753,601	158,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G	926,546	538,986	22,053	82,423	90,414	60,973	103,162	738	25,558	2,241
TOTAL CWIP		19,159,718	11,271,605	364,152	1,773,394	2,033,458	1,238,635	1,959,220	16,433	447,275	55,545
<u>RATE BASE OFFSETS</u>											
DEFERRED FIT	RB_GUP	(127,983,435)	(70,890,160)	(2,216,606)	(11,860,651)	(13,849,460)	(9,785,593)	(16,390,931)	(109,898)	(2,542,474)	(317,684)
CUSTOMER ADVANCES	CUST_TOTAL	(56,784)	(31,716)	(1,155)	(5,711)	(6,112)	(3,912)	(6,189)	(53)	(1,719)	(218)
CUSTOMER DEPOSITS	CUST_DEP	(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	-	(83,516)	-
TOTAL RATE BASE OFFSETS		(138,581,504)	(78,553,334)	(2,500,921)	(13,312,040)	(14,439,812)	(10,174,053)	(16,545,804)	(109,951)	(2,627,708)	(317,882)
TOTAL RATE BASE	FORMULA	858,443,759	467,554,919	14,814,416	79,556,093	93,491,731	67,214,965	115,594,756	758,399	17,286,959	2,171,520

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>OPERATING REVENUES</u>											
TOTAL REVENUE	REVSales	337,148,564	130,195,491	6,280,382	39,974,995	41,493,761	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS SALES OF ELECTRICITY	REVEYC	195,124	(105,526)	116,329	74,844	145,482	(96,930)	-	1,457	61,686	(2,218)
		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
<u>OTHER OPERATING REVENUES</u>											
FORFEITED DISCOUNTS	FORT	1,476,289	866,530	74,711	290,715	136,208	94,941	-	-	13,184	-
MISCELLANEOUS SERVICE REVENUE	RB_GUP_EPIS_D	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	DIST_POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	-	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	RB_GUP_EPIS_D	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	RB_GUP_EPIS_D	2,189,343	1,473,712	65,723	242,200	219,257	46,117	2,033	2,269	122,556	15,475
OTHER ELECTRIC REVENUE WHEELING	TRANS_TOTAL	172,219	73,206	1,570	15,316	20,039	21,450	40,412	140	69	16
OTHER ELECTRIC REVENUE PRODUCTION	PROD_ENERGY	5,856,518	1,990,532	58,811	522,350	675,550	786,758	1,774,909	6,143	34,501	6,963
TOTAL OTHER OPERATING REVENUES		12,983,134	6,734,212	269,617	1,458,565	1,416,918	1,021,869	1,817,991	12,432	221,866	29,662
OTHER OPERATING REVENUE - ADJUSTMENT		(4,270,069)	(1,368,539)	(21,393)	(389,764)	(521,554)	(681,071)	(1,314,601)	(3,487)	27,211	3,130
TOTAL OPERATING REVENUE		346,056,753	135,455,638	6,644,935	41,118,641	42,534,627	39,364,175	74,688,045	375,982	5,026,046	848,664

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>OPERATION AND MAINTENANCE EXPENSE</u>										
<u>O&M EXPENSE PRODUCTION</u>										
GENERATION EXPENSE DEMAND	17,732,601	9,618,020	196,316	1,402,081	1,957,877	1,621,999	2,923,406	12,902	-	-
GENERATION EXPENSE ENERGY	10,299,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,671	10,794	60,621	12,234
GENERATION EXPENSE FUEL	110,407,982	37,525,820	1,108,716	9,847,431	12,735,582	14,832,086	33,460,859	115,811	650,412	131,265
SYSTEM SALES	(20,094,132)	(10,898,695)	(222,460)	(1,588,802)	(2,218,617)	(1,838,008)	(3,312,730)	(14,620)	-	-
SYSTEM SALES	(105,379,475)	(35,816,715)	(1,058,220)	(9,398,932)	(12,155,543)	(14,156,562)	(31,936,892)	(110,536)	(620,789)	(125,287)
PURCHASED POWER DEMAND	70,249,303	38,102,655	777,723	5,554,469	7,756,308	6,425,696	11,581,338	51,113	-	-
PURCHASED POWER ENERGY	96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,893	565,632	114,357
SYSTEM CONTROL	2,769,001	1,501,884	30,655	218,939	305,729	253,280	456,499	2,015	-	-
TOTAL PRODUCTION EXPENSES	182,161,921	76,222,392	1,901,968	15,531,976	20,663,438	21,442,445	45,441,886	168,371	656,675	132,570
O&M EXPENSE TOTAL TRANSMISSION	TRANS_TOTAL	514,789	218,824	4,692	45,782	59,900	64,117	120,797	420	207
<u>DISTRIBUTION OPERATION EXPENSE</u>										
580 SUPERVISION & ENGINEERING	TOTOXEXP	890,661	580,069	39,751	100,698	99,030	24,113	2,236	835	46,359
581 LOAD DISPATCHING	DIST_CPD	339,546	229,660	5,121	43,768	46,153	13,499	-	424	764
582 STATION EXPENSES	DIST_CPD	206,824	139,890	3,119	26,660	28,112	8,222	-	258	466
583 OVERHEAD LINES	DIST_OHLINES	70,983	50,281	1,260	8,656	8,453	1,865	-	87	314
584 UNDERGROUND LINES	DIST_UGLINES	30,930	22,019	558	3,749	3,628	769	-	38	144
585 STREET LIGHTING	DIST_SL	11,424	-	-	-	-	-	-	-	11,424
586 METERS	DIST_METERS	507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	-
587 CUSTOMER INSTALLS	DIST_PCUST	266,495	173,191	21,428	13,826	963	37	-	25	56,960
588 MISCELLANEOUS DISTRIBUTION	RB_GUP_EPIS_D	2,692,528	1,812,421	80,826	297,866	269,649	56,717	2,500	2,791	150,724
589 RENTS	RB_GUP_EPIS_D	1,371,216	923,006	41,163	161,693	137,323	28,864	1,421	1,421	76,759
TOTAL DISTRIBUTION OPER EXP	FORMULA	6,387,913	4,160,318	285,099	722,217	645,707	172,939	16,037	5,967	332,488
<u>DISTRIBUTION MAINTENANCE EXPENSE</u>										
590 SUPERVISION & ENGINEERING	TOTMXP	12,353	8,436	227	1,429	1,373	285	1	14	497
591 STRUCTURES	DIST_CPD	7,628	5,159	115	983	1,037	303	-	10	17
592 STATION EQUIPMENT	DIST_CPD	670,333	453,395	10,109	86,408	91,115	26,649	-	837	1,509
593 OVERHEAD LINES	TOTOHLINES	11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	-	13,607	53,225
594 UNDERGROUND LINES	TOTUGLINES	103,865	73,942	1,872	12,589	12,183	2,581	-	127	483
595 LINE TRANSFORMER	DIST_TRANSF	604,245	465,948	13,861	65,480	52,122	-	-	711	5,232
596 STREET LIGHTING	DIST_SL	86,472	-	-	-	-	-	-	-	86,472
597 METERS	DIST_METERS	70,662	32,004	12,797	10,489	8,552	5,409	1,397	15	-
598 MISC DISTRIBUTION PLANT	DIST_OL	468,604	-	-	-	-	-	-	-	468,604
TOTAL DISTRIBUTION MAINT EXP	FORMULA	13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568
<u>CUSTOMER ACCOUNTS</u>										
901 SUPERVISION	TOTOX234	481,953	376,118	36,613	27,759	2,557	294	48	43	38,446
902 METER READ	CUST_902	2,067,779	1,641,348	203,075	197,218	22,525	2,897	477	239	-
903 CUSTOMER RECORDS	CUST_903	5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,066
904 UNCOLLECTIBLES	CUST_TOTAL	(20,325)	(13,200)	(1,633)	(1,056)	(79)	(6)	(1)	(2)	(4,341)
905 MISCELLANEOUS	TOTOX234	15,976	12,468	1,214	920	85	10	2	1	1,274
TOTAL CUSTOMER ACCOUNTS		8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466
TOTAL CUSTOMER SERVICES	CUST_TOTAL	1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
ADMINISTRATIVE & GENERAL EXPENSE											
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	4,909,803	100,215	715,734	999,456	827,997	1,492,339	6,586	-	-
A&G PRODUCTION ENERGY	PROD_ENERGY	2,655,730	902,638	26,569	236,868	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,769	723,806	15,521	151,434	198,133	212,078	399,560	1,388	685	162
A&G DISTRIBUTION	EXP_OM_DIST	7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,886
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT	2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV	642,816	417,474	51,652	33,390	2,494	246	40	61	137,301	159
A&G REGULATORY RECLASSIFIED	FORMULA	30,211	11,866	563	3,582	3,718	3,505	6,647	33	423	73
TOTAL A & G EXPENSES		23,617,485	13,619,464	561,389	2,107,463	2,308,176	1,579,677	2,710,171	18,996	654,347	57,782
TOTAL O&M EXPENSES		235,489,125	110,555,933	3,732,712	20,478,873	25,189,990	23,568,636	48,291,205	209,962	3,125,222	336,591
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT		31,506,995	17,861,442	617,442	2,999,979	3,472,764	2,212,187	3,860,476	28,339	414,310	40,056
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA	266,996,120	128,417,376	4,350,154	23,478,853	28,662,754	25,780,824	52,151,681	238,301	3,539,531	376,647
DEPRECIATION EXPENSE											
PRODUCTION	RB_GUP_EPIS_P	17,327,512	9,393,303	191,831	1,370,051	1,913,151	1,584,946	2,856,623	12,607	-	-
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	2,847,273	61,040	594,755	778,355	832,402	1,566,059	5,452	2,682	634
DISTRIBUTION	RB_GUP_EPIS_D	15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,999	111,246
GENERAL PLANT	RB_GUP_EPIS_G	4,287,524	2,494,114	102,049	381,404	418,384	282,145	477,375	3,414	118,270	10,369
TOTAL DEPRECIATION EXPENSE		44,043,880	25,333,535	827,373	4,087,278	4,686,026	3,031,010	4,916,672	37,786	1,001,951	122,249
DEPRECIATION EXPENSE - ADJUSTMENT		3,654,912	2,024,460	63,301	339,284	395,509	279,454	468,087	3,138	72,607	9,072
ADJUSTED DEPRECIATION EXPENSE	FORMULA	47,698,792	27,357,994	890,674	4,426,562	5,081,534	3,310,464	5,384,759	40,924	1,074,558	131,321
TAXES OTHER THAN INCOME											
FEDERAL INSURANCE TAX	LABOR_M	2,152,118	1,251,918	51,223	191,445	210,008	141,623	239,618	1,714	59,355	5,205
FEDERAL UNEMPLOYMENT TAX	LABOR_M	25,730	14,968	612	2,289	2,511	1,693	2,865	20	710	62
KENTUCKY SALES & USE TAX	TDPLANT	212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP	6,984,383	3,868,657	120,966	648,357	755,600	534,025	894,495	5,997	138,749	17,336
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP	584	323	10	54	63	45	75	1	12	1
KENTUCKY UNEMPLOYMENT TAX	LABOR_M	17,259	10,040	411	1,535	1,684	1,136	1,922	14	476	42
KENTUCKY PSC MAINTENANCE TAX RECLASSIFIED	FORMULA	504,415	194,786	9,396	59,807	62,080	58,529	110,989	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP	99	55	2	9	11	6	13	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	48,710	994	7,101	9,915	8,214	14,805	65	-	-
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP	3,271	1,812	57	304	354	250	419	3	65	8
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M	2,973	1,729	71	264	290	196	331	2	82	7
WEST VIRGINIA FRANCHISE TAX	LABOR_M	23,533	13,689	560	2,093	2,296	1,549	2,620	19	649	57
WEST VIRGINIA LICENSE TAX	LABOR_M	275	160	7	24	27	18	31	0	8	1
WYOMING LICENSE TAX	PROD_DEMAND	49	27	1	4	5	4	8	0	-	-
FRINGE BENEFIT LOADING FICA	LABOR_M	(805,537)	(468,582)	(19,173)	(71,658)	(78,606)	(53,009)	(89,689)	(641)	(22,220)	(1,948)
FRINGE BENEFIT LOADING FUT	LABOR_M	(12,251)	(7,127)	(292)	(1,090)	(1,195)	(806)	(1,364)	(10)	(338)	(30)
FRINGE BENEFIT LOADING SUT	LABOR_M	(5,307)	(3,087)	(126)	(472)	(518)	(349)	(591)	(4)	(146)	(13)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP	(44,296)	(24,536)	(767)	(4,112)	(4,793)	(3,387)	(5,673)	(38)	(880)	(110)
TOTAL TAXES OTHER THAN INCOME		8,937,315	4,903,652	163,956	835,978	959,955	689,752	1,170,896	7,689	183,594	21,843
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT		260,696	141,136	4,994	24,728	27,947	20,426	35,077	227	5,521	641
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA	9,198,011	5,044,788	168,949	860,706	987,902	710,178	1,205,973	7,916	189,115	22,484
TOTAL OPERATING REVENUE		346,056,753	135,455,638	6,644,935	41,118,641	42,534,627	39,364,175	74,668,045	375,982	5,026,046	848,664
TOTAL OPERATING EXPENSE BEFORE TAXES		323,892,923	160,820,158	5,409,778	28,766,121	34,732,191	29,801,465	58,742,413	287,141	4,803,204	530,452
GROSS OPERATING INCOME	FORMULA	22,163,830	(25,364,521)	1,235,157	12,352,520	7,802,436	9,562,710	15,945,632	88,842	222,842	318,212
INTEREST CHARGE TAX	RATEBASE	(28,829,564)	(15,702,140)	(497,520)	(2,671,774)	(3,139,782)	(2,257,315)	(3,882,079)	(25,470)	(580,557)	(72,927)
INTEREST SYNCHRONIZATION TAX	RATEBASE	1,221,632	665,367	21,382	113,214	133,046	95,652	164,500	1,079	24,601	3,090
NET OPER INCOME BEFORE INCOME TAX	FORMULA	(5,444,102)	(40,401,294)	758,719	9,793,960	4,795,701	7,401,047	12,228,054	64,451	(333,114)	248,375

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP TOD	MW	OL	SL
INCOME TAXES										
SCHEDULE M INCOME ADJUSTMENTS										
BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP (6,012,634)	(3,330,404)	(104,138)	(558,150)	(650,645)	(459,725)	(770,042)	(5,163)	(119,445)	(14,824)
BOOK VS TAX DEPRECIATION FLOWTHRU	RB_GUP 7,015,140	3,885,693	121,499	651,213	759,129	536,376	898,434	6,024	139,360	17,412
ABFUDC	RB_CWIP (268,834)	(158,154)	(5,109)	(24,883)	(28,532)	(17,380)	(27,490)	(231)	(6,276)	(779)
INTEREST CAPITALIZATION	RB_GUP 465,437	257,806	8,061	43,206	50,366	35,587	59,608	400	9,246	1,155
CUSTOMER ADVANCES	CUST_TOTAL 1,030	659	83	54	4	0	0	0	220	0
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV 82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	200
PERCENT REPAIR ALLOWANCE	RB_GUP (297,000)	(164,509)	(5,144)	(27,570)	(32,139)	(22,709)	(38,037)	(255)	(5,900)	(737)
REMOVAL COSTS	RB_GUP (5,261,850)	(2,914,544)	(91,132)	(488,455)	(569,400)	(402,320)	(673,889)	(4,518)	(104,530)	(13,060)
DEFERRED FUEL	FUELREV (4,802,865)	(1,601,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
TAX AMORTIZATION OF POLLUTION CONTROL	PROD_DEMAND (11,879,328)	(6,443,252)	(131,515)	(939,274)	(1,311,611)	(1,086,601)	(1,958,432)	(8,643)	-	-
CAPITALIZED RELOCATION COSTS	RB_GUP (187,110)	(103,640)	(3,241)	(17,369)	(20,248)	(14,306)	(23,963)	(161)	(3,717)	(464)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY (5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(697,639)	(1,573,859)	(5,447)	(5,613)	(6,174)
PROVISION FOR WORKERS COMP	LABOR_M 673,275	391,654	16,025	59,892	65,699	44,306	74,963	536	18,572	1,628
ACCRUED BOOK PENSION EXPENSE	LABOR_M 20,125	11,707	479	1,790	1,964	1,324	2,241	16	555	49
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M 73,185	42,573	1,742	6,510	7,142	4,816	8,148	58	2,019	177
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	LABOR_M (586,005)	(380,578)	(47,087)	(30,439)	(2,274)	(224)	(37)	(55)	(125,166)	(145)
REG ASSET ON UNREALIZED LOSS FWD CMMT	CUST_TOTAL 173,273	58,893	1,740	15,454	19,987	23,277	52,513	182	1,021	206
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY 57,444	19,524	577	5,124	6,626	7,717	17,409	60	338	68
AOFUDC - HR/J	PROD_ENERGY 11,205	4,883	105	1,006	1,305	1,493	2,551	9	7	2
POST RETIREMENT BENEFIT PAYMENT	BULK_TRANS (111,083)	(61,529)	(1,924)	(10,312)	(12,021)	(8,493)	(14,228)	(95)	(2,207)	(276)
ADVANCE RENTAL INCOME	RB_GUP (24,844)	(12,886)	(516)	(2,791)	(2,711)	(1,955)	(3,479)	(24)	(425)	(57)
BOOK AMORTIZATION LOSS REAQUIRED DEBT	REV_OTHER 80,394	44,530	1,392	7,463	8,700	6,147	10,296	68	1,597	200
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	RB_GUP 34,482	20,059	821	3,067	3,365	2,269	3,839	29	951	83
VACATION PAY SEC 481	LABOR_M 134,841	78,439	3,209	11,995	13,158	8,873	15,013	107	3,720	326
SEC 481 3-YR ADJ PROPERTY TAX	LABOR_M 206	114	4	19	22	16	25	0	4	1
DEFERRED COMPENSATION PAYMENTS	RB_GUP (24,856)	(14,459)	(592)	(2,211)	(2,425)	(1,636)	(2,767)	(20)	(686)	(60)
ACCRUED STATE INCOME TAX EXPENSE	LABOR_M 95,635	37,351	1,820	11,331	11,754	10,932	20,748	104	1,365	231
ACCRUED RTO CARRYING CHARGES	REV (147,206)	(62,645)	(1,343)	(13,086)	(17,125)	(18,314)	(34,500)	(120)	(59)	(14)
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T (75,416)	(32,094)	(688)	(6,704)	(8,773)	(9,383)	(17,675)	(61)	(30)	(7)
DEFERRED BOOK CONTRACT REVENUE	REV (10,923)	(4,286)	(208)	(1,294)	(1,342)	(1,249)	(2,370)	(12)	(156)	(26)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M 2,758,889	1,604,885	65,665	245,422	269,217	181,552	307,176	2,197	76,103	6,672
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY 1,828,429	621,452	18,361	163,080	210,910	245,629	554,134	1,918	10,771	2,174
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY (93,324)	(31,719)	(937)	(8,324)	(10,765)	(12,537)	(28,283)	(98)	(550)	(111)
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY (374,655)	(127,135)	(3,756)	(33,362)	(43,147)	(50,250)	(113,363)	(392)	(2,204)	(445)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	PROD_ENERGY 3,306,097	1,123,687	33,200	294,875	381,359	444,137	1,001,964	3,468	19,476	3,931
BOOK DEFERRAL MERGER COSTS	RB_GUP_EPIS_T 219,950	93,602	2,007	19,552	25,588	27,365	51,549	179	88	21
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	RB_GUP (10,781)	(5,972)	(187)	(1,001)	(1,167)	(824)	(1,381)	(9)	(214)	(27)
BOOK DEFERRAL MERGER COSTS	RB_GUP 1,123,196	622,141	19,453	104,266	121,545	85,880	143,849	964	22,313	2,788
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP (504,384)	(279,379)	(8,736)	(46,822)	(54,581)	(38,565)	(64,597)	(433)	(10,020)	(1,252)
CAPITALIZED SOFTWARE COSTS TAX	RB_GUP (248,345)	(144,466)	(5,911)	(22,092)	(24,234)	(16,343)	(27,651)	(198)	(6,851)	(601)
CAPITALIZED SOFTWARE COSTS BOOK	LABOR_M 529,635	206,855	10,078	62,754	65,094	60,542	114,903	574	7,557	1,278
ACCRUED SFAS 109 DEFERRED SIT LIABILITY	REV (7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	(819,350)	(1,555,061)	(7,764)	(102,279)	(17,300)
REG ASSET ACCRUED SFAS 112	REV 7,167,903	2,799,507	136,397	849,288	880,956	819,350	1,555,061	7,764	102,279	17,300
1977 - 1980 IRS AUDIT SETTLEMENT	LABOR_M 204,015	118,678	4,856	18,149	19,908	13,425	22,715	162	5,628	493
1985 - 1987 IRS AUDIT SETTLEMENT	REV (17,736)	(6,927)	(337)	(2,101)	(2,180)	(2,027)	(3,848)	(19)	(253)	(43)
IRS AUDIT SETTLEMENTS PERM	LABOR_M (824)	(322)	(16)	(98)	(101)	(94)	(179)	(7)	(12)	(2)
MANUFACTURING DEDUCTION	PROD_DEMAND (627,096)	(340,132)	(6,943)	(49,583)	(69,238)	(57,360)	(103,383)	(456)	-	-
TOTAL SCHEDULE M ADJUSTMENTS	(18,067,702)	(8,823,285)	(210,903)	(1,451,385)	(1,978,803)	(1,838,504)	(3,613,654)	(14,370)	(130,592)	(6,208)
SCHEDULE M - ADJUSTMENT	4,834,630	2,417,712	74,928	442,695	530,383	440,812	833,839	4,354	79,455	10,453

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
BONUS DEPRECIATION ADJUSTMENT FOR STATE	RB_GUP	(55,930)	(30,980)	(969)	(5,192)	(6,052)	(4,276)	(7,163)	(48)	(1,111)	(139)
STATE TAXABLE INCOME	FORMULA	(18,733,104)	(46,837,847)	621,775	8,780,079	3,341,229	5,999,078	9,441,076	54,387	(385,363)	252,481
STATE INCOME TAX KENTUCKY	FORMULA	(1,311,317)	(3,278,849)	43,524	614,606	233,886	419,935	660,875	3,807	(26,975)	17,674
STATE INCOME TAX OHIO	FORMULA	(28,997)	(72,501)	962	13,591	5,172	9,286	14,614	84	(597)	391
STATE INCOME TAX WEST VIRGINIA	FORMULA	(7,912)	(19,783)	263	3,708	1,411	2,534	3,988	23	(163)	107
TOTAL STATE INCOME TAXES		(1,348,227)	(3,370,933)	44,749	631,905	240,469	431,755	679,477	3,914	(27,735)	18,171
TAXABLE OPERATING INCOME	FORMULA	(17,328,947)	(43,435,934)	577,994	8,153,367	3,106,812	5,571,599	8,768,762	50,521	(359,517)	234,449
GROSS CURRENT FIT	FORMULA	(6,065,132)	(15,202,577)	202,298	2,853,678	1,087,384	1,950,060	3,069,067	17,682	(124,781)	82,057
FEEDBACK PRIOR ITC NORMALIZATION TAX	RB_GUP	(1,156,997)	(640,862)	(20,039)	(107,404)	(125,202)	(88,464)	(148,177)	(993)	(22,984)	(2,872)
CURRENT FIT AND ITC	FORMULA	(7,222,129)	(15,843,439)	182,259	2,746,275	962,182	1,861,596	2,920,889	16,689	(147,765)	79,185
DEFERRED FIT - CURRENT YEAR											
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	1,793,574	993,463	31,064	166,497	194,088	137,136	229,704	1,540	35,631	4,452
ABFUDC	RB_GUP	101,807	59,893	1,835	9,423	10,805	6,582	10,411	87	2,377	295
WSEC 492 PENSION/OPEB ADJUSTMENT	LABOR_M	(72)	(42)	(2)	(6)	(7)	(5)	(8)	(0)	(2)	(0)
INTEREST CAPITALIZATION	RB_GUP	(162,904)	(90,233)	(2,821)	(15,122)	(17,628)	(12,456)	(20,863)	(140)	(3,236)	(404)
CUSTOMER ADVANCES	CUST_TOTAL	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	RB_GUP	193,950	57,578	1,800	9,650	11,249	7,948	13,313	89	2,065	258
TAX AMORTIZATION POLLUTION CONTROL	PROD_DEMAND	4,157,765	2,255,138	46,030	328,746	459,064	380,310	685,451	3,025	-	-
CAPITALIZED RELOCATION COSTS	RB_GUP	65,489	36,274	1,134	6,079	7,087	5,907	8,387	56	1,301	163
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	LABOR_M	71,215	41,427	1,695	6,335	6,949	4,686	7,929	57	1,964	172
ACCRUED BOOK PENSION EXPENSE	LABOR_M	(235,644)	(137,077)	(5,609)	(20,962)	(22,995)	(15,507)	(26,237)	(188)	(6,500)	(570)
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	(7,044)	(4,098)	(168)	(627)	(687)	(464)	(784)	(6)	(194)	(17)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	(25,615)	(14,801)	(610)	(2,279)	(2,500)	(1,686)	(2,852)	(20)	(707)	(62)
POST RETIREMENT BENEFIT	RB_GUP	(253,642)	(140,493)	(4,393)	(23,545)	(27,447)	(19,393)	(32,484)	(218)	(5,039)	(639)
DEFERRED FUEL EXPENSE	FUELREV	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,968
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	205,103	133,203	16,480	10,654	796	796	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	PROD_ENERGY	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(6,147)	(18,379)	(64)	(357)	(72)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	(20,105)	(6,833)	(202)	(1,793)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
DEFERRED COMPENSATION BOOK EXPENSE	LABOR_M	8,708	5,061	207	774	849	573	969	7	240	21
ACCRUED STATE INCOME TAX EXPENSE	REV	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	51,522	21,926	470	4,580	5,994	6,410	12,075	42	21	5
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	26,395	11,233	241	2,346	3,071	3,284	6,186	22	11	3
DEFERRED BOOK CONTRACT REVENUE	REV	3,823	1,493	73	453	470	437	829	4	55	9
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	(965,612)	(561,710)	(22,983)	(85,898)	(94,226)	(63,543)	(107,512)	(769)	(26,636)	(2,335)
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	(639,950)	(217,508)	(6,426)	(57,078)	(73,818)	(85,970)	(193,947)	(671)	(3,770)	(761)
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	130,920	44,498	1,315	11,677	15,102	17,588	39,677	137	771	156
REG ASSET UNREAL MTM GAIN DEFERRAL	PROD_ENERGY	(1,157,133)	(393,290)	(11,620)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	(76,982)	(32,760)	(702)	(6,843)	(8,956)	(9,578)	(18,042)	(63)	(31)	(7)
CAPITALIZED SOFTWARE COST TAX	RB_GUP	3,773	2,090	65	350	408	288	483	3	75	9
CAPITALIZED SOFTWARE COST BOOK	RB_GUP	(393,117)	(217,748)	(6,809)	(36,493)	(42,540)	(30,058)	(50,347)	(338)	(7,810)	(976)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	176,535	97,783	3,057	16,388	19,103	13,498	22,609	152	3,507	438
ADVANCE RENTAL INCOME	REV_OTHER	8,696	4,511	181	977	949	684	1,218	8	149	20
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP	(28,139)	(15,586)	(487)	(2,612)	(3,045)	(2,152)	(3,604)	(24)	(659)	(70)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	86,923	50,564	2,069	7,732	8,482	5,720	9,678	69	2,398	210
BOOK DEFERRAL MERGER COSTS	REV	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,216)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	LABOR_M	(71,407)	(41,538)	(1,700)	(6,352)	(6,968)	(4,699)	(7,950)	(57)	(1,970)	(173)
1977 - 1980 IRS AUDIT SETTLEMENT	REV	6,208	2,425	118	736	783	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	REV	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	LABOR_M	(47,195)	(27,454)	(1,123)	(4,198)	(4,605)	(3,106)	(5,255)	(38)	(1,302)	(114)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT		(1,338,731)	(647,670)	(19,967)	(122,160)	(147,561)	(128,221)	(248,676)	(1,220)	(20,507)	(2,748)
TOTAL CURRENT YEAR DFIT		4,801,854	2,341,327	52,112	371,847	524,646	498,000	984,780	3,680	25,954	(491)

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
DEFERRED FIT - PRIOR YEAR											
TAXES CAPITALIZED	RB_GUP	(63,617)	(35,238)	(1,102)	(5,906)	(6,884)	(4,864)	(8,147)	(55)	(1,264)	(158)
PENSIONS CAPITALIZED	RB_GUP	(8,538)	(4,729)	(148)	(793)	(924)	(653)	(1,093)	(7)	(170)	(21)
SAVING PLAN CAPITALIZED	RB_GUP	(4,055)	(2,246)	(70)	(376)	(439)	(310)	(519)	(3)	(81)	(10)
ABFUDC	RB_CWIP	(519,030)	(305,344)	(9,865)	(49,041)	(55,086)	(33,554)	(53,075)	(445)	(12,117)	(1,505)
INTEREST CAPITALIZED	RB_GUP	249,355	138,118	4,319	23,148	26,983	19,066	31,935	214	4,954	619
ADR REPAIR ALLOWANCE	RB_GUP	(387,726)	(214,762)	(8,715)	(35,992)	(41,957)	(29,645)	(49,656)	(333)	(7,702)	(962)
BOOK VS TAX DEPRECIATION	RB_GUP	(506,680)	(280,651)	(8,775)	(47,035)	(54,829)	(38,741)	(64,891)	(435)	(10,066)	(1,258)
TOTAL PRIOR YEAR DFIT		(1,240,281)	(704,851)	(22,357)	(114,995)	(133,135)	(88,702)	(145,447)	(1,065)	(26,445)	(3,295)
FEDERAL INCOME TAXES	FORMULA	(3,660,566)	(14,206,963)	212,015	3,003,127	1,353,693	2,270,894	3,760,222	19,305	(148,257)	75,399
TOTAL INCOME TAXES		(5,008,792)	(17,577,899)	256,764	3,635,032	1,594,162	2,702,649	4,439,699	23,219	(175,991)	93,570
TOTAL EXPENSES	FORMULA	318,884,131	143,242,263	5,666,542	32,401,153	36,326,352	32,504,114	63,182,112	310,359	4,627,213	624,023
NET OPERATING INCOME	FORMULA	27,172,622	(7,786,625)	978,393	8,717,488	6,208,275	6,660,051	11,505,933	65,623	398,834	224,642
AFUDC OFFSET											
PRODUCTION	PROD_DEMAND	400,313	217,127	4,432	31,652	44,199	36,617	65,986	291	-	-
TRANSMISSION	TRANS_TOTAL	90,711	38,559	827	8,067	10,555	11,298	21,286	74	37	9
DISTRIBUTION	RB_GUP_EPIS_D	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656	714
GENERAL	LABOR_M	16,455	9,572	392	1,464	1,806	1,083	1,832	13	454	40
AFUDC OFFSET		608,522	333,273	8,684	52,361	66,479	51,126	89,207	483	6,147	763
AFUDC OFFSET ADJUSTMENT - ADJUSTMENT		625,507	342,575	8,926	53,823	68,335	52,553	91,697	497	6,318	784
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(7,110,777)	996,002	8,823,672	6,343,088	6,963,739	11,686,838	66,603	411,298	226,188

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Winter CP

			<u>TOTAL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>METHOD</u>			<u>RETAIL</u>									
REVENUE REQUIREMENT ANALYSIS			858,443,759	467,554,919	14,814,416	79,556,093	93,491,731	67,214,965	115,594,756	758,399	17,266,959	2,171,520
TOTAL RATE BASE												
ADJUSTED NET OPERATING INCOME	FORMULA		28,406,651	(7,110,777)	996,002	8,823,672	6,343,088	6,963,739	11,686,838	65,603	411,298	226,188
CURRENT RATE OF RETURN			3.31%	-1.52%	6.72%	11.09%	6.78%	10.36%	10.11%	8.78%	2.38%	10.42%
TOTAL EXPENSES	FORMULA		318,884,131	143,242,263	5,666,542	32,401,153	36,326,352	32,504,114	63,182,112	310,359	4,627,213	624,023
TOTAL OPERATING REVENUE	FORMULA		346,056,753	135,455,638	6,644,935	41,118,641	42,534,627	39,364,175	74,688,045	375,982	5,026,046	848,664
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,365,673	248,224	1,068,802	895,364	340,798	503,390	8,945	249,077	32,792
SALES OF ELECTRICITY	FORMULA		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN			0.078407281	3.04%	10.60%	15.11%	11.10%	15.01%	15.05%	13.04%	7.08%	14.38%
REQUIRED INCOME	FORMULA		67,308,241	14,207,492	1,563,117	12,024,121	10,375,111	10,080,231	17,393,086	98,886	1,223,922	312,274
INCOME INCREASE	FORMULA		38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,709,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR			1.665645									
PROPOSED REVENUE INCREASE			64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,626	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE			19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA		410,852,992	170,964,307	7,622,860	46,449,453	49,250,546	44,571,801	84,192,629	429,755	6,379,589	992,052
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,365,673	248,224	1,068,802	895,364	340,798	503,390	8,945	249,077	32,792
REQUIRED RATE REVENUE	FORMULA		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
REQUIRED RATE REVENUE	FORMULA	PRODUCTION	143,048,346	64,862,435	1,722,810	13,796,478	17,396,426	16,074,927	29,073,345	121,925	0	0
		BULKTRAN	31,966,362	7,385,415	327,387	4,068,312	4,217,597	5,451,875	10,456,844	34,225	17,751	6,957
		SUBTRAN	21,003,103	4,487,074	194,605	2,540,302	2,703,050	3,882,747	7,174,473	20,851	-	-
		DISTPRI	38,667,814	21,162,497	776,097	7,665,725	6,728,499	2,119,189	-	69,803	111,764	32,240
		DISTSEC	23,871,576	15,414,089	759,773	4,413,664	2,943,575	-	-	44,337	237,015	59,123
		ENERGY	117,804,400	38,014,950	1,201,451	10,799,951	13,700,081	16,259,845	36,868,175	126,652	689,842	143,453
		CUSTOMER	25,778,325	14,272,174	2,390,514	2,096,219	665,954	442,420	116,402	3,017	5,074,139	717,486
		Total	402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
	DEMAND		258,557,201	113,311,510	3,782,672	32,484,481	33,989,147	27,528,738	46,704,662	291,141	366,530	98,321
	ENERGY		117,804,400	38,014,950	1,201,451	10,799,951	13,700,081	16,259,845	36,868,175	126,652	689,842	143,453
	CUSTOMER		25,778,325	14,272,174	2,390,514	2,096,219	665,954	442,420	116,402	3,017	5,074,139	717,486
			402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT_(SJB-5)

OF

STEPHEN J. BARON

KENTUCKY POWER COMPANY
SUMMER/WINTER CP CLASS COST OF SERVICE STUDY
12 MONTHS ENDED JUNE 30, 2005
Summary

	<u>TOTAL</u> <u>RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QF</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>RATE BASE</u>										
GROSS UTILITY PLANT	1,336,938,136	714,753,483	23,517,006	132,210,198	143,630,447	107,795,625	184,119,779	1,129,010	26,473,592	3,308,997
TOTAL DEPRECIATION RESERVE	432,998,450	229,083,876	7,368,893	42,645,011	46,548,097	36,007,469	62,255,302	358,589	7,761,682	969,529
NET UTILITY PLANT	903,939,686	485,669,607	16,148,112	89,565,186	97,082,350	71,788,156	121,864,477	770,420	18,711,909	2,339,468
TOTAL CWIP	19,159,718	10,719,809	371,719	1,939,522	2,010,773	1,359,473	2,239,600	16,001	447,275	55,545
PLANT HELD FOR FUTURE USE TRANS	83,282	35,422	760	7,409	9,688	10,366	19,528	68	33	8
TOTAL WORKING CAPITAL	73,842,577	31,485,568	1,044,297	6,834,814	8,080,605	8,216,182	17,263,672	67,609	755,449	94,381
TOTAL RATE BASE OFFSETS	(138,581,504)	(76,008,868)	(2,535,814)	(14,078,099)	(14,335,207)	(10,731,267)	(17,838,702)	(107,958)	(2,627,708)	(317,882)
TOTAL RATE BASE	858,443,759	451,901,538	15,029,075	84,268,834	92,848,210	70,642,909	123,548,574	746,140	17,286,959	2,171,520
<u>OPERATING REVENUES</u>										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,224,459	250,161	1,111,317	889,558	371,722	575,144	8,835	249,077	32,792
TOTAL OPERATING REVENUE	346,056,753	135,314,424	6,646,872	41,161,156	42,528,821	39,395,099	74,759,799	375,872	5,026,046	848,664
<u>OPERATING EXPENSES</u>										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	123,200,282	4,421,697	25,049,556	28,448,275	26,923,319	54,802,598	234,215	3,539,531	376,647
ADJUSTED DEPRECIATION EXPENSE	47,698,792	26,219,178	906,291	4,769,424	5,034,717	3,559,854	5,963,416	40,032	1,074,558	131,321
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	4,865,140	171,413	914,792	980,517	749,519	1,297,256	7,775	189,115	22,484
TOTAL STATE INCOME TAXES	(1,348,227)	(2,829,161)	37,320	468,794	262,742	313,112	404,191	4,339	(27,735)	18,171
FEDERAL INCOME TAXES	(3,660,566)	(11,926,275)	180,739	2,316,484	1,447,453	1,771,444	2,601,356	21,091	(148,257)	75,399
TOTAL EXPENSES	318,884,131	139,529,165	5,717,461	33,519,050	36,173,704	33,317,248	65,068,816	307,452	4,627,213	624,023
NET OPERATING INCOME	27,172,622	(4,214,741)	929,411	7,642,106	6,355,117	6,077,851	9,690,982	68,420	398,834	224,642
AFUDC OFFSET	1,234,029	629,780	18,241	120,053	132,920	113,767	204,313	943	12,465	1,547
ADJUSTED NET OPERATING INCOME	28,406,651	(3,584,961)	947,652	7,762,159	6,488,037	6,191,618	9,895,295	69,364	411,298	226,188
RATE OF RETURN %	3.31%	-0.79%	6.31%	9.21%	6.99%	8.76%	8.01%	9.30%	2.38%	10.42%
RATE OF RETURN INDEX	100	(24)	191	278	211	265	242	281	72	315

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>ELECTRIC PLANT IN SERVICE</u>											
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	220,287,578	5,358,613	43,403,714	48,947,395	46,944,450	87,476,245	309,614	-	-
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	389,818,658	161,876,867	3,471,221	33,867,796	44,311,741	47,430,651	89,360,417	310,453	153,274	36,239
TRANSMISSION PLANT GCU TOTAL	PROD_DEMAND	1,577,091	767,379	18,667	151,198	170,510	163,532	304,726	1,079	-	-
TRANSMISSION PLANT		382,395,749	162,844,246	3,489,887	34,018,994	44,482,251	47,594,183	89,665,143	311,531	153,274	36,239
<u>DISTRIBUTION PLANT</u>											
360 LAND AND LAND RIGHTS	DIST_CPD	5,128,881	3,469,035	77,348	661,127	697,141	203,901	-	6,406	11,548	2,375
361 STRUCTURES AND IMPROVEMENTS	DIST_CPD	4,186,156	2,831,401	63,131	539,607	569,001	166,423	-	5,228	9,425	1,938
362 STATION EQUIPMENT	DIST_CPD	41,861,612	28,314,049	631,314	5,398,081	5,690,021	1,664,229	-	52,284	94,252	19,382
364 POLES	DIST_POLES	126,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	-	154,454	641,668	115,013
365 OVERHEAD LINES	DIST_OHLINES	102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	-	125,422	453,064	82,584
366 UNDERGROUND CONDUIT	DIST_UGLINES	3,053,885	2,174,074	55,055	370,136	358,221	75,880	-	3,732	14,214	2,574
367 UNDERGROUND LINES	DIST_UGLINES	5,923,247	4,216,765	106,784	717,907	694,797	147,176	-	7,238	27,568	4,992
368 TRANSFORMERS	DIST_TRANSF	84,645,406	65,272,101	1,941,723	9,172,683	7,301,425	-	-	99,632	732,928	124,914
369 SERVICES	DIST_SERV	31,586,289	20,547,459	2,542,225	1,628,486	99,567	-	-	2,987	6,757,741	7,823
370 METERS	DIST_METERS	20,937,281	9,482,984	3,791,663	3,107,766	2,533,860	1,602,733	413,817	4,457	-	-
371 INSTALLATIONS ON CUST PREMISES	DIST_OL	16,201,414	-	-	-	-	-	-	-	16,201,414	-
372 LEASED PROP ON CUST PREMISES	DIST_OL	-	-	-	-	-	-	-	-	-	-
373 STREET LIGHTING	DIST_SL	2,788,123	-	-	-	-	-	-	-	-	2,788,123
DISTRIBUTION PLANT TOTAL		445,596,962	299,944,584	13,376,603	49,295,028	44,825,288	9,386,261	413,817	461,841	24,943,822	3,149,718
PTD PLANT	FORMULA	1,280,720,319	662,876,408	22,225,104	126,717,736	138,054,934	103,924,893	177,555,205	1,082,986	25,097,096	3,185,957
GENERAL PLANT TOTAL	LABOR_M	49,011,035	27,395,813	1,181,813	4,695,432	4,736,764	3,469,313	6,023,260	38,156	1,351,952	118,532
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	750,450	16,162	154,670	200,526	205,384	392,153	1,431	1,136	269
ELECTRIC PLANT IN SERVICE		1,331,453,536	711,022,672	23,423,080	131,567,837	142,992,224	107,599,591	183,970,618	1,122,573	26,450,164	3,304,758
ELECTRIC PLANT IN SERVICE - ADJUSTMENT		5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
GROSS UTILITY PLANT	FORMULA	1,336,938,136	714,753,483	23,517,006	132,210,198	143,630,447	107,795,625	184,119,779	1,129,010	26,473,592	3,308,997
<u>DEPRECIATION RESERVE</u>											
PRODUCTION	RB_GUP_EPIS_P	172,837,498	84,099,033	2,045,754	16,570,205	18,688,612	17,921,949	33,395,744	118,201	-	-
TRANSMISSION	RB_GUP_EPIS_T	114,198,348	48,571,842	1,042,217	10,159,404	13,284,142	14,213,487	26,777,524	93,035	45,774	10,822
DISTRIBUTION	RB_GUP_EPIS_D	130,586,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G	14,698,381	8,215,989	354,425	1,408,157	1,420,553	1,040,445	1,806,372	11,443	405,450	35,548
HR-J POST IN-SERVICE	BULK_TRANS	678,019	295,450	6,363	60,893	78,947	80,859	154,390	564	447	106
TOTAL DEPRECIATION RESERVE		432,998,450	229,083,876	7,368,893	42,645,011	46,548,097	36,007,469	62,255,302	358,589	7,761,682	969,529
NET UTILITY PLANT	FORMULA	903,939,686	485,669,607	16,148,112	89,565,186	97,082,350	71,788,156	121,864,477	770,420	18,711,909	2,339,468

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	35,422	760	7,409	9,688	10,366	19,528	68	33	8
<u>WORKING CAPITAL</u>											
<u>WORKING CAPITAL CASH</u>											
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM	29,436,141	13,263,390	474,215	2,727,284	3,125,887	3,067,861	6,318,968	25,810	390,653	42,074
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	1,222,172	29,730	240,807	271,564	260,451	485,325	1,718	-	-
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY	13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH		45,120,342	18,962,651	636,223	4,142,958	4,916,894	5,097,882	10,796,404	41,345	468,251	57,735
WORKING CAPITAL CASH - ADJUSTMENT		3,938,374	2,136,646	78,497	403,910	430,147	297,554	531,357	3,467	51,789	5,007
<u>WORKING CAPITAL MATERIALS & SUPPLIES</u>											
FUEL	PROD_ENERGY	10,524,611	3,577,139	105,686	938,704	1,214,016	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,261	2,476,326	60,238	487,916	550,234	527,718	983,349	3,480	-	-
TRANSMISSION AND DISTRIBUTION	TDPLANT	888,306	496,058	18,075	89,363	95,615	61,224	96,860	830	26,871	3,411
TOTAL MATERIALS & SUPPLIES		16,502,178	6,549,523	184,001	1,515,982	1,859,864	2,002,807	4,269,857	15,350	88,871	15,924
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT		3,542,537	1,204,049	35,574	315,963	406,632	475,600	1,073,621	3,716	20,969	4,212
WORKING CAPITAL PREPAYMENTS	RB_GUP_EPIS	655,315	349,951	11,528	64,755	70,378	52,958	90,547	553	13,018	1,827
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT		4,083,831	2,282,748	98,474	391,246	394,690	289,080	501,887	3,179	112,651	9,877
TOTAL WORKING CAPITAL	FORMULA	73,842,577	31,485,568	1,044,297	6,834,814	8,080,605	8,216,182	17,263,672	67,609	755,449	94,381
<u>CONSTRUCTION WORK IN PROGRESS</u>											
PRODUCTION	RB_GUP_EPIS_P	9,503,956	4,624,422	112,492	911,159	1,027,536	985,489	1,836,359	6,500	-	-
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	512,217	10,991	107,136	140,088	149,889	282,383	981	483	114
DISTRIBUTION	RB_GUP_EPIS_D	7,524,931	5,065,255	225,895	832,460	753,601	158,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G	926,548	517,915	22,342	88,767	89,548	65,587	113,869	721	25,558	2,241
TOTAL CWIP		19,159,718	10,719,809	371,719	1,939,522	2,010,773	1,359,473	2,239,600	16,001	447,275	55,545
<u>RATE BASE OFFSETS</u>											
DEFERRED FIT	RB_GUP	(127,983,435)	(68,345,700)	(2,251,499)	(12,646,708)	(13,744,855)	(10,342,806)	(17,683,825)	(107,905)	(2,542,474)	(317,664)
CUSTOMER ADVANCES	CUST_TOTAL	(56,784)	(31,710)	(1,155)	(5,712)	(6,112)	(3,914)	(6,192)	(53)	(1,718)	(218)
CUSTOMER DEPOSITS	CUST_DEP	(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	-	(83,516)	-
TOTAL RATE BASE OFFSETS		(138,581,504)	(76,008,868)	(2,535,814)	(14,078,099)	(14,335,207)	(10,731,267)	(17,838,702)	(107,958)	(2,827,708)	(317,882)
TOTAL RATE BASE	FORMULA	858,443,759	451,901,538	15,029,075	84,268,834	92,848,210	70,642,909	123,546,574	746,140	17,286,959	2,171,520

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>OPERATING REVENUES</u>											
TOTAL REVENUE	REVSALES	337,148,564	130,195,491	6,280,382	39,974,995	41,493,781	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS	REVYEC	195,124	(105,526)	116,329	74,844	145,482	(96,930)	-	1,457	61,686	(2,218)
SALES OF ELECTRICITY		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
<u>OTHER OPERATING REVENUES</u>											
FORFEITED DISCOUNTS	FORT	1,476,289	866,530	74,711	290,715	136,208	94,941	-	-	13,184	-
MISCELLANEOUS SERVICE REVENUE	RB_GUP_EPIS_D	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	DIST_POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	-	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	RB_GUP_EPIS_D	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	RB_GUP_EPIS_D	2,189,343	1,473,712	65,723	242,200	219,257	46,117	2,033	2,269	122,556	15,475
OTHER ELECTRIC REVENUE WHEELING	TRANS_TOTAL	172,219	73,206	1,570	15,316	20,039	21,450	40,412	140	69	16
OTHER ELECTRIC REVENUE PRODUCTION	PROD_ENERGY	5,856,518	1,990,532	58,811	522,350	675,550	786,758	1,774,909	6,143	34,501	6,963
TOTAL OTHER OPERATING REVENUES		12,983,134	6,734,212	269,617	1,458,565	1,416,918	1,021,859	1,817,991	12,432	221,866	29,662
OTHER OPERATING REVENUE - ADJUSTMENT		(4,270,069)	(1,509,753)	(19,457)	(347,249)	(527,360)	(650,147)	(1,242,847)	(3,598)	27,211	3,130
TOTAL OPERATING REVENUE		346,056,753	135,314,424	6,646,872	41,161,156	42,528,821	39,395,099	74,759,799	375,872	5,026,046	848,664

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>	
<u>OPERATION AND MAINTENANCE EXPENSE</u>											
<u>O&M EXPENSE PRODUCTION</u>											
GENERATION EXPENSE DEMAND	PROD_DEMAND	17,732,601	8,628,305	209,888	1,700,053	1,917,190	1,838,737	3,426,302	12,127	-	-
GENERATION EXPENSE ENERGY	PROD_ENERGY	10,290,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,671	10,794	60,621	12,234
GENERATION EXPENSE FUEL	PROD_ENERGY	110,407,982	37,525,820	1,108,716	9,847,431	12,735,582	14,832,086	33,460,859	115,811	650,412	131,265
SYSTEM SALES	PROD_DEMAND	(20,094,132)	(9,777,375)	(237,840)	(1,926,456)	(2,172,510)	(2,083,610)	(3,882,598)	(13,742)	-	-
SYSTEM SALES	PROD_ENERGY	(105,379,475)	(35,816,715)	(1,058,220)	(9,388,932)	(12,155,543)	(14,158,562)	(31,936,892)	(110,536)	(620,789)	(125,287)
PURCHASED POWER DEMAND	PROD_DEMAND	70,249,303	34,181,809	831,491	6,734,912	7,595,120	7,284,325	13,573,604	48,042	-	-
PURCHASED POWER ENERGY	PROD_ENERGY	96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,893	566,632	114,357
SYSTEM CONTROL	PROD_DEMAND	2,769,001	1,347,337	32,775	265,469	299,375	287,125	535,028	1,894	-	-
TOTAL PRODUCTION EXPENSES		182,161,921	72,278,804	1,956,048	16,719,266	20,501,314	22,306,054	47,445,708	165,283	656,875	132,570
O&M EXPENSE TOTAL TRANSMISSION	TRANS_TOTAL	514,789	218,824	4,692	45,782	59,900	64,117	120,797	420	207	49
<u>DISTRIBUTION OPERATION EXPENSE</u>											
580 SUPERVISION & ENGINEERING	TOTOXEXP	890,661	580,069	39,751	100,698	90,030	24,113	2,236	835	46,359	6,570
581 LOAD DISPATCHING	DIST_CPD	338,546	229,660	5,121	43,768	46,153	13,499	-	424	784	157
582 STATION EXPENSES	DIST_CPD	208,824	139,890	3,119	26,660	28,112	8,222	-	258	466	96
583 OVERHEAD LINES	DIST_OHLINES	70,983	50,291	1,260	8,656	8,453	1,865	-	87	314	57
584 UNDERGROUND LINES	DIST_ULINES	30,930	22,019	558	3,749	3,628	769	-	38	144	26
585 STREET LIGHTING	DIST_SL	11,424	-	-	-	-	-	-	-	-	-
586 METERS	DIST_METERS	507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	-	-
587 CUSTOMER INSTALLS	DIST_PCUST	266,495	173,191	21,428	13,826	963	37	-	25	56,980	66
588 MISCELLANEOUS DISTRIBUTION	RB_GUP_EPIS_D	2,692,528	1,812,421	80,828	297,866	269,649	56,717	2,500	2,791	150,724	19,032
589 RENTS	RB_GUP_EPIS_D	1,371,216	923,006	41,163	151,693	137,323	28,884	1,273	1,421	76,759	9,692
TOTAL DISTRIBUTION OPER EXP	FORMULA	6,387,913	4,160,318	285,099	722,217	645,707	172,939	16,037	5,987	332,488	47,121
<u>DISTRIBUTION MAINTENANCE EXPENSE</u>											
590 SUPERVISION & ENGINEERING	TOTMEXP	12,353	8,436	227	1,429	1,373	285	1	14	497	91
591 STRUCTURES	DIST_CPD	7,628	5,159	115	983	1,037	303	-	10	17	4
592 STATION EQUIPMENT	DIST_CPD	670,333	453,395	10,109	86,408	91,115	26,649	-	837	1,509	310
593 OVERHEAD LINES	TOTOHLINES	11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	-	13,607	53,225	9,607
594 UNDERGROUND LINES	TOTUGLINES	103,865	73,942	1,872	12,589	12,183	2,581	-	127	483	88
595 LINE TRANSFORMER	DIST_TRANSF	604,245	465,948	13,861	65,480	52,122	-	-	711	5,232	892
596 STREET LIGHTING	DIST_SL	86,472	-	-	-	-	-	-	-	-	86,472
597 METERS	DIST_METERS	70,862	32,004	12,797	10,489	8,552	5,409	1,397	15	-	-
598 MISC DISTRIBUTION PLANT	DIST_OL	468,604	-	-	-	-	-	-	-	468,604	-
TOTAL DISTRIBUTION MAINT EXP	FORMULA	13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568	97,464
<u>CUSTOMER ACCOUNTS</u>											
901 SUPERVISION	TOTOX234	481,953	376,118	36,613	27,759	2,557	294	48	43	38,446	74
902 METER READ	CUST_902	2,067,779	1,641,348	203,075	197,218	22,525	2,897	477	239	-	-
903 CUSTOMER RECORDS	CUST_903	5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,086	1,196
904 UNCOLLECTIBLES	CUST_TOTAL	(20,325)	(13,200)	(1,633)	(1,056)	(79)	(8)	(1)	(2)	(4,341)	(5)
905 MISCELLANEOUS	TOTOX234	15,976	12,468	1,214	920	85	10	2	1	1,274	2
TOTAL CUSTOMER ACCOUNTS		8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466	1,267
TOTAL CUSTOMER SERVICES	CUST_TOTAL	1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270	338

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
ADMINISTRATIVE & GENERAL EXPENSE											
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	4,404,573	107,144	867,842	978,686	938,638	1,749,057	6,191	-	-
A&G PRODUCTION ENERGY	PROD_ENERGY	2,655,730	902,638	26,669	236,868	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,768	723,806	15,521	151,434	198,133	212,078	399,560	1,388	685	162
A&G DISTRIBUTION	EXP_OM_DIST	7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,866
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT	2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV	642,816	417,474	51,652	33,390	2,494	246	40	61	137,301	159
A&G REGULATORY RECLASSIFIED	FORMULA	30,211	11,666	563	3,582	3,718	3,505	6,647	33	423	73
TOTAL A & G EXPENSES		23,617,485	13,114,235	568,317	2,259,592	2,287,406	1,690,317	2,966,889	18,600	654,347	57,782
TOTAL O&M EXPENSES											
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT		31,506,995	106,107,116	3,793,720	21,818,272	25,007,096	24,542,886	50,551,744	206,478	3,125,222	336,591
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA	266,996,120	123,200,282	4,421,697	25,049,556	28,448,275	26,923,319	54,802,598	234,215	3,539,531	376,647
DEPRECIATION EXPENSE											
PRODUCTION	RB_GUP_EPIS_P	17,327,512	8,431,197	205,093	1,661,216	1,873,393	1,796,733	3,348,030	11,850	-	-
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	2,845,733	61,061	595,219	778,291	832,740	1,566,841	5,451	2,682	634
DISTRIBUTION	RB_GUP_EPIS_D	15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,999	111,246
GENERAL PLANT	RB_GUP_EPIS_G	4,287,524	2,396,607	103,386	410,760	414,376	303,498	526,920	3,338	118,270	10,369
TOTAL DEPRECIATION EXPENSE		44,043,880	24,267,383	841,994	4,408,263	4,642,186	3,264,487	5,458,407	36,951	1,001,951	122,249
DEPRECIATION EXPENSE - ADJUSTMENT		3,654,912	1,951,796	64,298	361,161	392,521	295,367	505,009	3,082	72,607	9,072
ADJUSTED DEPRECIATION EXPENSE	FORMULA	47,698,792	26,219,178	906,291	4,769,424	5,034,717	3,559,854	5,963,416	40,032	1,074,558	131,321
TAXES OTHER THAN INCOME											
FEDERAL INSURANCE TAX	LABOR_M	2,152,118	1,202,974	51,894	206,181	207,995	152,341	264,487	1,675	59,365	5,205
FEDERAL UNEMPLOYMENT TAX	LABOR_M	25,730	14,382	620	2,465	2,487	1,821	3,162	20	710	62
KENTUCKY SALES & USE TAX	TDPLANT	212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP	6,984,363	3,729,799	122,870	690,163	750,092	564,433	965,052	5,889	138,749	17,336
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP	584	312	10	58	63	47	81	0	12	f
KENTUCKY UNEMPLOYMENT TAX	LABOR_M	17,259	9,647	416	1,653	1,668	1,222	2,121	13	476	42
KENTUCKY PSG MAINTENANCE TAX RECLASSIFIED	FORMULA	504,415	194,788	9,396	59,807	62,080	58,529	110,989	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP	99	53	2	10	11	8	14	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	43,697	1,063	8,610	9,709	9,312	17,352	61	-	-
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP	3,271	1,747	58	323	351	264	452	3	65	8
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M	2,973	1,662	72	285	287	210	365	2	82	7
WEST VIRGINIA FRANCHISE TAX	LABOR_M	23,533	13,154	567	2,255	2,274	1,666	2,892	18	649	57
WEST VIRGINIA LICENSE TAX	LABOR_M	275	154	7	26	27	19	34	0	8	1
WYOMING LICENSE TAX	PROD_DEMAND	49	24	1	5	5	5	9	0	-	-
FRINGE BENEFIT LOADING FICA	LABOR_M	(805,537)	(450,273)	(19,424)	(77,173)	(77,853)	(57,021)	(98,997)	(627)	(22,220)	(1,948)
FRINGE BENEFIT LOADING FUT	LABOR_M	(12,251)	(6,848)	(295)	(1,174)	(1,184)	(867)	(1,506)	(10)	(338)	(30)
FRINGE BENEFIT LOADING SUT	LABOR_M	(5,307)	(2,966)	(128)	(508)	(513)	(376)	(652)	(4)	(146)	(13)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP	(44,296)	(23,655)	(779)	(4,377)	(4,757)	(3,580)	(6,121)	(37)	(680)	(110)
TOTAL TAXES OTHER THAN INCOME		8,937,315	4,728,770	166,354	888,629	952,766	728,049	1,259,757	7,552	183,594	21,843
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT		260,696	136,370	5,059	26,163	27,751	21,470	37,499	223	5,521	641
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA	9,198,011	4,865,140	171,413	914,792	980,517	749,519	1,297,256	7,775	189,115	22,484
TOTAL OPERATING REVENUE		346,056,753	135,314,424	6,646,872	41,161,156	42,528,821	39,395,099	74,759,799	375,872	5,026,046	848,664
TOTAL OPERATING EXPENSE BEFORE TAXES		323,892,923	154,284,600	5,499,402	30,733,772	34,463,509	31,232,691	62,063,270	282,022	4,803,204	530,452
GROSS OPERATING INCOME	FORMULA	22,163,830	(18,970,176)	1,147,470	10,427,384	8,065,312	8,162,408	12,696,529	93,850	222,842	318,212
INTEREST CHARGE TAX	RATEBASE	(28,829,564)	(15,176,445)	(504,729)	(2,830,044)	(3,118,170)	(2,372,438)	(4,149,199)	(25,058)	(580,557)	(72,927)
INTEREST SYNCHRONIZATION TAX	RATEBASE	1,221,632	643,091	21,388	119,921	132,130	100,530	175,819	1,062	24,601	3,090
NET OPER INCOME BEFORE INCOME TAX	FORMULA	(5,444,102)	(33,503,530)	664,128	7,717,261	5,079,273	5,890,501	8,723,152	69,853	(333,114)	248,375

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	OL	SL
INCOME TAXES										
SCHEDULE M INCOME ADJUSTMENTS										
BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP (6,012,634)	(3,210,866)	(105,775)	(594,140)	(645,730)	(485,903)	(830,782)	(5,069)	(119,445)	(14,924)
BOOK VS TAX DEPRECIATION FLOWTHRU	RB_GUP 7,015,140	3,746,224	123,411	693,202	753,395	566,919	969,301	5,915	139,360	17,412
ABFUDC	RB_GUP (268,834)	(150,412)	(5,216)	(27,214)	(28,214)	(19,075)	(31,424)	(225)	(6,276)	(779)
INTEREST CAPITALIZATION	RB_CWIP 465,437	248,553	8,188	45,992	49,986	37,614	64,311	392	9,246	1,155
CUSTOMER ADVANCES	RB_GUP 1,030	669	83	54	4	0	0	0	220	0
PROVISION FOR POSSIBLE REVENUE REFUNDS	CUST_TOTAL 82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	200
PERCENT REPAIR ALLOWANCE	REV (297,000)	(158,604)	(5,225)	(29,348)	(31,896)	(24,002)	(41,037)	(250)	(5,900)	(737)
REMOVAL COSTS	RB_GUP (5,261,850)	(2,809,933)	(92,567)	(519,951)	(565,099)	(425,229)	(727,044)	(4,436)	(104,530)	(13,060)
DEFERRED FUEL	RB_GUP (4,802,865)	(1,801,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
TAX AMORTIZATION OF POLLUTION CONTROL	PROD_DEMAND (11,879,328)	(5,780,227)	(140,607)	(1,138,890)	(1,284,353)	(1,231,797)	(2,295,329)	(8,124)	-	-
CAPITALIZED RELOCATION COSTS	RB_GUP (187,110)	(99,920)	(3,282)	(18,489)	(20,095)	(15,121)	(25,854)	(158)	(3,717)	(464)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY (5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(697,639)	(1,573,859)	(5,447)	(30,593)	(6,174)
PROVISION FOR WORKERS COMP	LABOR_M (203,472)	(113,735)	(4,906)	(19,493)	(19,665)	(14,403)	(25,006)	(158)	(5,613)	(492)
ACCRUED BOOK PENSION EXPENSE	LABOR_M 573,275	376,342	16,235	64,502	65,070	47,659	82,743	524	18,572	1,628
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M 20,125	11,249	485	1,928	1,945	1,425	2,473	16	555	49
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M 73,185	40,908	1,765	7,011	7,073	5,181	8,994	57	2,019	177
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL (586,005)	(380,578)	(47,087)	(30,439)	(2,274)	(224)	(37)	(55)	(125,166)	(145)
REG ASSET ON UNREALIZED LOSS FWD CMMT	PROD_ENERGY 173,273	58,893	1,740	15,454	19,987	23,277	52,513	182	1,021	206
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY 57,444	19,524	577	5,124	6,626	7,717	17,408	60	338	68
AOFUDC - HR/J	BULK_TRANS 11,205	4,883	105	1,008	1,305	1,336	2,551	9	7	2
POST RETIREMENT BENEFIT PAYMENT	RB_GUP (111,083)	(59,321)	(1,954)	(10,977)	(11,930)	(8,977)	(15,349)	(94)	(2,207)	(276)
ADVANCE RENTAL INCOME	REV_OTHER (24,844)	(12,886)	(516)	(2,791)	(2,711)	(1,955)	(3,479)	(24)	(425)	(57)
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP 80,394	42,932	1,414	7,944	8,634	6,497	11,108	88	1,597	200
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	LABOR_M 34,482	19,274	831	3,303	3,333	2,441	4,238	27	951	83
VACATION PAY SEC 481	LABOR_M 134,841	75,372	3,251	12,918	13,032	9,545	16,571	105	3,720	326
SEC 481 3-YR ADJ PROPERTY TAX	RB_GUP 206	110	4	20	22	17	28	0	4	1
DEFERRED COMPENSATION PAYMENTS	LABOR_M (24,856)	(13,894)	(599)	(2,381)	(2,402)	(1,759)	(3,055)	(19)	(686)	(60)
ACCRUED STATE INCOME TAX EXPENSE	REV 95,635	37,351	1,820	11,331	11,754	10,932	20,748	104	1,365	231
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_I (147,206)	(62,611)	(1,343)	(13,096)	(17,124)	(18,322)	(34,517)	(120)	(59)	(14)
DEFERRED BOOK CONTRACT REVENUE	RB_GUP_EPIS_I (75,416)	(32,077)	(688)	(6,709)	(8,773)	(9,387)	(17,684)	(61)	(30)	(7)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	REV (10,923)	(4,266)	(208)	(1,294)	(1,342)	(1,249)	(2,370)	(12)	(158)	(26)
BOOK > TAX BASIS - EMA A/C 283	LABOR_M 2,758,889	1,542,143	66,526	264,311	266,638	195,292	339,056	2,148	76,103	6,672
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY 1,828,429	621,452	18,361	163,080	210,910	245,629	554,134	1,918	10,771	2,174
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY (93,324)	(31,719)	(937)	(8,324)	(10,765)	(12,537)	(28,283)	(98)	(550)	(111)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	PROD_ENERGY (374,055)	(127,135)	(3,756)	(33,362)	(43,147)	(60,250)	(113,363)	(392)	(2,204)	(445)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_I 3,306,097	1,123,687	33,200	294,875	381,359	444,137	1,001,964	3,468	19,476	3,931
CAPITALIZED SOFTWARE COSTS TAX	LABOR_M 219,950	93,551	2,007	19,567	25,586	27,376	51,574	179	88	21
CAPITALIZED SOFTWARE COSTS BOOK	RB_GUP (10,781)	(5,757)	(190)	(1,065)	(1,158)	(871)	(1,490)	(9)	(214)	(27)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP 1,123,198	599,810	19,759	110,989	120,626	90,770	155,195	947	22,313	2,788
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	RB_GUP (504,384)	(269,351)	(8,873)	(49,841)	(54,169)	(40,761)	(69,692)	(425)	(10,020)	(1,252)
BOOK DEFERRAL MERGER COSTS	LABOR_M (248,345)	(138,818)	(5,988)	(23,792)	(24,092)	(17,579)	(30,521)	(193)	(6,851)	(601)
SFAS 109 DEFERRED SIT LIABILITY	REV 529,635	206,855	10,078	62,754	65,094	60,542	114,903	574	7,557	1,278
REG ASSET SFAS 109 DEFERRED SIT LIABILITY	REV (7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	(819,350)	(1,555,061)	(7,764)	(102,279)	(17,300)
1977 - 1980 IRS AUDIT SETTLEMENT	REV 7,167,903	2,799,507	136,397	849,288	880,956	819,350	1,555,061	7,764	102,279	17,300
1985 - 1987 IRS AUDIT SETTLEMENT	REV 204,015	114,039	4,919	19,545	19,717	14,441	25,073	159	5,628	493
IRS AUDIT SETTLEMENTS PERM	LABOR_M (17,736)	(6,927)	(337)	(2,101)	(2,180)	(2,027)	(3,848)	(19)	(253)	(43)
MANUFACTURING DEDUCTION	REV (824)	(322)	(16)	(98)	(101)	(94)	(179)	(1)	(12)	(2)
	REV 6,789	2,652	129	804	834	776	1,473	7	97	16
	PROD_DEMAND (627,096)	(305,132)	(7,422)	(60,121)	(67,800)	(65,025)	(121,168)	(429)	-	-
TOTAL SCHEDULE M ADJUSTMENTS	(18,067,702)	(8,121,773)	(220,523)	(1,662,588)	(1,949,963)	(1,992,128)	(3,970,107)	(13,820)	(130,592)	(6,208)
SCHEDULE M - ADJUSTMENT	4,834,630	2,345,048	75,924	464,572	527,396	456,724	870,781	4,297	79,455	10,453

KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP_TOD	MW	OL	SL	
BONUS DEPRECIATION ADJUSTMENT FOR STATE	RB_GUP	(55,930)	(29,868)	(984)	(5,527)	(6,007)	(4,520)	(7,728)	(47)	(1,111)	(139)
STATE TAXABLE INCOME	FORMULA	(18,733,104)	(39,310,123)	518,545	6,513,719	3,650,699	4,350,577	5,616,078	60,283	(385,363)	252,481
STATE INCOME TAX KENTUCKY	FORMULA	(1,311,317)	(2,751,709)	36,298	455,960	255,549	304,540	393,125	4,220	(26,975)	17,674
STATE INCOME TAX OHIO	FORMULA	(28,997)	(60,849)	803	10,083	5,551	6,734	8,693	93	(597)	391
STATE INCOME TAX WEST VIRGINIA	FORMULA	(7,912)	(16,603)	219	2,751	1,542	1,838	2,372	25	(163)	107
TOTAL STATE INCOME TAXES	FORMULA	(1,349,227)	(2,829,161)	37,320	468,794	262,742	313,112	404,191	4,339	(27,735)	18,171
TAXABLE OPERATING INCOME	FORMULA	(17,328,947)	(36,451,094)	482,209	6,050,451	3,393,964	4,041,984	5,219,615	55,991	(356,517)	234,449
GROSS CURRENT FIT	FORMULA	(6,065,132)	(12,757,883)	168,773	2,117,658	1,187,887	1,414,694	1,826,865	19,597	(124,781)	82,057
FEEDBACK PRIOR ITC NORMALIZATION TAX	RB_GUP	(1,156,997)	(617,859)	(20,354)	(114,329)	(124,256)	(93,501)	(159,865)	(975)	(22,984)	(2,672)
CURRENT FIT AND ITC	FORMULA	(7,222,129)	(13,375,742)	148,419	2,003,329	1,063,631	1,321,193	1,667,000	18,621	(147,765)	79,185
DEFERRED FIT - CURRENT YEAR											
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	1,793,574	957,804	31,553	177,232	192,622	144,945	247,823	1,512	35,631	4,452
ABFUDC	RB_CWIP	101,807	56,961	1,975	10,306	10,684	7,224	11,900	85	2,377	295
WBSEC 482 PENSION/OPEB ADJUSTMENT	LABOR_M	(72)	(40)	(2)	(7)	(7)	(5)	(9)	(0)	(2)	(0)
INTEREST CAPITALIZATION	RB_GUP	(162,904)	(86,994)	(2,866)	(16,097)	(17,495)	(13,165)	(22,509)	(137)	(3,236)	(404)
CUSTOMER ADVANCES	CUST_TOTAL	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	RB_GUP	103,950	55,511	1,829	10,272	11,164	8,401	14,363	88	2,065	258
TAX AMORTIZATION POLLUTION CONTROL	PROD_DEMAND	4,157,765	2,023,080	49,212	398,612	449,524	431,129	803,365	2,843	-	-
CAPITALIZED RELOCATION COSTS	RB_GUP	65,489	34,972	1,152	6,471	7,033	5,292	9,049	55	1,301	163
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	LABOR_M	71,215	39,807	1,717	6,823	6,883	5,041	8,752	55	1,964	172
ACCRUED BOOK PENSION EXPENSE	LABOR_M	(235,644)	(131,718)	(5,882)	(22,576)	(22,774)	(16,680)	(28,960)	(183)	(6,500)	(570)
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	(7,044)	(3,937)	(170)	(675)	(681)	(499)	(866)	(5)	(194)	(17)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	(25,615)	(14,318)	(918)	(2,454)	(2,476)	(1,813)	(3,148)	(20)	(707)	(62)
POST RETIREMENT BENEFIT	RB_GUP	(253,642)	(135,450)	(4,462)	(25,064)	(27,240)	(20,498)	(35,048)	(214)	(5,039)	(630)
DEFERRED FUEL EXPENSE	FUELREV	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,968
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	205,103	133,203	16,480	10,654	796	78	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	PROD_ENERGY	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(8,147)	(18,379)	(64)	(357)	(72)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	(20,105)	(6,833)	(202)	(1,793)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
DEFERRED COMPENSATION BOOK EXPENSE	LABOR_M	8,700	4,863	210	833	841	616	1,069	7	240	21
ACCRUED STATE INCOME TAX EXPENSE	REV	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	51,522	21,914	470	4,584	5,993	6,413	12,081	42	21	5
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	26,395	11,227	241	2,348	3,070	3,285	6,189	22	11	3
DEFERRED BOOK CONTRACT REVENUE	REV	3,823	1,493	73	453	470	437	829	4	55	9
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	(965,612)	(539,750)	(23,284)	(92,509)	(93,323)	(68,352)	(118,670)	(752)	(26,636)	(2,335)
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	(639,950)	(217,508)	(6,426)	(57,078)	(73,818)	(85,970)	(193,947)	(671)	(3,770)	(761)
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	130,920	44,488	1,315	11,677	15,102	17,588	39,677	137	771	156
REG ASSET UNREAL MTM GAIN DEFERRAL	PROD_ENERGY	(1,157,133)	(393,290)	(11,620)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	(76,982)	(32,743)	(703)	(6,849)	(8,955)	(9,581)	(18,051)	(63)	(31)	(7)
CAPITALIZED SOFTWARE COST TAX	RB_GUP	3,773	2,015	66	373	405	305	521	3	75	9
CAPITALIZED SOFTWARE COST BOOK	RB_GUP	(393,117)	(209,932)	(6,916)	(38,846)	(42,219)	(31,769)	(54,318)	(331)	(7,810)	(976)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	176,535	94,273	3,106	17,444	18,959	14,266	24,392	149	3,507	438
ADVANCE RENTAL INCOME	REV_OTHER	8,696	4,511	181	977	949	684	1,218	8	149	20
BOOK AMORTIZATION LOSS REQUIRED DEBT	RB_GUP	(28,139)	(15,027)	(495)	(2,781)	(3,022)	(2,274)	(3,888)	(24)	(559)	(70)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	86,923	48,588	2,096	8,328	8,401	6,153	10,682	68	2,398	210
BOOK DEFERRAL MERGER COSTS	REV	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,216)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	LABOR_M	(71,407)	(39,915)	(1,722)	(6,841)	(5,055)	(8,776)	(56)	(56)	(1,970)	(173)
1977 - 1980 IRS AUDIT SETTLEMENT	REV	6,208	2,425	118	736	763	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	REV	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	LABOR_M	(47,195)	(26,381)	(1,138)	(4,521)	(4,561)	(3,341)	(5,800)	(37)	(1,302)	(114)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT	LABOR_M	(1,338,731)	(629,986)	(20,210)	(127,484)	(146,834)	(132,094)	(257,662)	(1,207)	(20,507)	(2,748)
TOTAL CURRENT YEAR DFIT		4,801,854	2,125,031	55,078	436,967	515,754	545,366	1,094,684	3,511	25,954	(491)

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>DEFERRED FIT - PRIOR YEAR</u>										
TAXES CAPITALIZED	(63,617)	(33,973)	(1,119)	(6,286)	(6,832)	(5,141)	(8,790)	(54)	(1,264)	(158)
PENSIONS CAPITALIZED	(8,538)	(4,559)	(150)	(844)	(917)	(590)	(1,180)	(7)	(170)	(21)
SAVING PLAN CAPITALIZED	(4,055)	(2,165)	(71)	(401)	(435)	(328)	(560)	(3)	(81)	(10)
ABFUDC	(519,030)	(290,396)	(10,070)	(52,541)	(54,471)	(36,828)	(60,670)	(433)	(12,117)	(1,505)
INTEREST CAPITALIZED	249,355	133,161	4,387	24,640	26,780	20,151	34,454	210	4,954	619
ADR REPAIR ALLOWANCE	(387,726)	(207,053)	(6,821)	(38,313)	(41,640)	(31,334)	(53,573)	(327)	(7,702)	(962)
BOOK VS TAX DEPRECIATION	(506,680)	(270,577)	(8,914)	(50,068)	(54,415)	(40,947)	(70,809)	(427)	(10,066)	(1,258)
TOTAL PRIOR YEAR DFIT	(1,240,291)	(675,564)	(22,758)	(123,813)	(131,931)	(95,115)	(160,329)	(1,042)	(26,445)	(3,295)
FEDERAL INCOME TAXES	(3,660,566)	(11,926,275)	180,739	2,316,484	1,447,453	1,771,444	2,601,356	21,091	(148,257)	75,399
TOTAL INCOME TAXES	(5,008,792)	(14,755,435)	218,059	2,785,278	1,710,195	2,084,557	3,005,547	25,429	(175,991)	93,570
TOTAL EXPENSES	318,884,131	139,529,165	5,717,461	33,519,050	36,173,704	33,317,248	65,068,816	387,452	4,627,213	624,023
NET OPERATING INCOME	27,172,622	(4,214,741)	929,411	7,642,106	6,355,117	6,077,851	9,690,982	68,420	398,834	224,642
<u>AFUDC OFFSET</u>										
PRODUCTION	400,313	194,784	4,738	38,379	43,281	41,509	77,349	274	-	-
TRANSMISSION	90,711	38,559	827	8,067	10,555	11,298	21,286	74	37	9
DISTRIBUTION	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656	714
GENERAL	16,455	9,198	397	1,576	1,590	1,165	2,022	13	454	40
AFUDC OFFSET	608,522	310,556	8,985	59,280	65,545	56,101	100,750	465	6,147	763
AFUDC OFFSET ADJUSTMENT - ADJUSTMENT	625,507	319,224	9,246	60,853	67,375	57,667	103,563	478	6,318	784
ADJUSTED NET OPERATING INCOME	28,406,651	(3,584,961)	947,652	7,762,159	6,488,037	6,191,618	9,895,295	69,364	411,298	226,188

**KENTUCKY POWER COMPANY
CLASS COST OF SERVICE STUDY
TWELVE MONTHS ENDED JUNE 30, 2005**

Production Allocator: Summer/Winter CP

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP_TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
REVENUE REQUIREMENT ANALYSIS											
TOTAL RATE BASE		858,443,759	451,901,538	15,029,075	84,268,834	92,848,210	70,642,909	123,548,574	746,140	17,286,959	2,171,520
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	(3,584,961)	947,652	7,762,159	6,488,037	6,191,618	9,895,295	69,364	411,298	226,188
CURRENT RATE OF RETURN		3.31%	-0.79%	6.31%	9.21%	6.99%	8.76%	8.01%	9.30%	2.38%	10.42%
TOTAL EXPENSES	FORMULA	318,884,131	139,529,165	5,717,461	33,519,050	35,173,704	33,317,248	65,068,816	307,452	4,627,213	624,023
TOTAL OPERATING REVENUE	FORMULA	346,056,753	135,314,424	6,646,872	41,161,156	42,528,821	39,395,099	74,759,799	375,872	5,026,046	848,664
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,224,459	250,161	1,111,317	889,558	371,722	575,144	8,835	249,077	32,792
SALES OF ELECTRICITY	FORMULA	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN		0.078407281	3.92%	10.21%	13.01%	11.33%	13.19%	12.63%	13.62%	7.08%	14.38%
REQUIRED INCOME	FORMULA	67,308,241	17,733,309	1,534,767	10,962,608	10,520,060	9,318,111	15,601,544	101,647	1,223,922	312,274
INCOME INCREASE	FORMULA	38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,706,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR		1.665645									
PROPOSED REVENUE INCREASE		64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,626	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE		19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA	410,852,992	170,823,093	7,624,797	46,491,968	49,244,740	44,602,725	84,264,383	429,645	6,379,589	992,052
LESS:											
OTHER OPERATING REVENUE	FORMULA	8,713,065	5,224,459	250,161	1,111,317	889,558	371,722	575,144	8,835	249,077	32,792
REQUIRED RATE REVENUE	FORMULA	402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
REQUIRED RATE REVENUE	FORMULA										
		144,284,322	60,166,544	1,816,094	15,801,556	17,171,096	17,332,395	31,880,152	116,484	0	0
		30,667,529	8,382,152	316,944	3,625,283	4,295,655	4,945,784	9,121,599	35,404	17,751	6,957
		20,084,190	5,033,025	188,457	2,264,725	2,757,288	3,552,026	6,267,104	21,564	-	-
		39,320,865	22,646,002	759,863	7,032,631	6,778,164	1,888,585	-	71,615	111,764	32,240
		24,652,946	16,590,188	741,184	4,039,042	2,940,848	-	-	45,547	237,015	59,123
		117,194,419	38,239,232	1,197,458	10,659,416	13,724,830	16,097,855	36,315,209	127,125	889,842	143,453
		25,935,656	14,621,491	2,354,636	1,957,997	687,301	414,358	105,176	3,070	5,074,139	717,486
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260
	DEMAND	259,009,852	112,737,911	3,822,542	32,763,238	33,943,051	27,718,790	47,268,855	290,615	366,530	98,321
	ENERGY	117,194,419	38,239,232	1,197,458	10,659,416	13,724,830	16,097,855	36,315,209	127,125	889,842	143,453
	CUSTOMER	25,935,656	14,621,491	2,354,636	1,957,997	687,301	414,358	105,176	3,070	5,074,139	717,486
		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT __ (SJB-6)

OF

STEPHEN J. BARON

**Kentucky Power Company
Proposed Revenue Allocation
Twelve Months Ended June 30, 2005**

<u>Current Class</u> (1)	<u>Current Revenue</u> (2)	<u>Current ROR %</u> (3)	<u>Current ROR Index</u> (4)	<u>Proposed Increase</u> (5)	<u>Proposed Increase %</u> (6)	<u>Proposed Revenue</u> (7)	<u>Proposed ROR %</u> (8)	<u>Proposed ROR Index</u> (9)
RS	130,089,965	-0.09	(3)	39,220,519	30.15	169,310,484	5.29	67
SGS	6,396,711	7.69	232	821,036	12.84	7,217,747	11.12	142
MGS	40,049,839	9.86	298	3,978,447	9.93	44,028,286	12.76	163
LGS	41,639,263	6.26	189	6,013,161	14.44	47,652,424	10.06	128
QP	39,023,377	6.94	210	4,526,491	11.60	43,549,868	10.57	135
CIP-TOD	74,184,655	5.79	175	8,678,007	11.70	82,862,662	9.70	124
MW	367,037	7.63	231	45,278	12.34	412,315	11.08	141
OL	4,776,969	2.12	64	1,405,648	29.43	6,182,617	6.95	89
SL	815,872	9.77	295	107,653	13.19	923,525	12.68	162
Total	337,343,688	3.31	100	64,796,240	19.21	402,139,928	7.84	100

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT__(SJB-7)

OF

STEPHEN J. BARON

**Kentucky Power Company
Proposed Revenue Allocation
Twelve Months Ended June 30, 2005**

<u>Current Class</u> (1)	<u>Current Revenue</u> (2)	<u>Current ROR %</u> (3)	<u>Current ROR Index</u> (4)	<u>Proposed Increase</u> (5)	<u>Proposed Increase %</u> (6)	<u>Proposed Revenue</u> (7)	<u>Proposed ROR %</u> (8)	<u>Proposed ROR Index</u> (9)
RS	130,089,965	-0.09	(3)	22,703,467	17.45	152,793,432	3.03	54
SGS	6,396,711	7.69	232	279,777	4.37	6,676,488	8.86	159
MGS	40,049,839	9.86	298	862,253	2.15	40,912,092	10.49	188
LGS	41,639,263	6.26	189	2,420,949	5.81	44,060,212	7.79	140
QP	39,023,377	6.94	210	1,695,632	4.35	40,719,009	8.30	149
CIP-TOD	74,184,655	5.79	175	3,650,190	4.92	77,834,845	7.44	134
MW	367,037	7.63	231	15,560	4.24	382,597	8.81	158
OL	4,776,969	2.12	64	746,244	15.62	5,523,213	4.68	84
SL	815,872	9.77	295	24,047	2.95	839,919	10.42	187
Total	337,343,688	3.31	100	32,398,119	9.60	369,741,807	5.57	100

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT __ (SJB-8)

OF

STEPHEN J. BARON

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

American Electric Power Service Corporation) Docket Nos. ER05-751-000

**MOTION TO PUT TARIFF CHANGES INTO EFFECT
ON AN EXPEDITED BASIS
AND REQUEST FOR EXPEDITED CONSIDERATION**

Pursuant to Rule 212 of the Commission's Rules of Practice and Procedure, 18 C.F.R. 385.212 (1999), American Electric Power Service Corporation (AEP), on behalf of the AEP Operating Companies,¹ hereby moves the Commission to permit AEP to implement certain changes to the AEP transmission rates to be contained in the open access transmission service tariff ("OATT") of PJM Interconnection, L.L.C. ("PJM") while those changes are pending Commission review. In support of this Motion, AEP states as follows:

1. On March 31, 2005, AEP filed a proposed two-step increase for AEP's east zonal transmission rates to be included in the PJM OATT. The proposed changes included a transmission cost of service, a Seams Elimination Charge Adjustment ("SECA") credit, and a production cost of service designed to develop the cost-based revenue requirements and rates for both transmission and ancillary services for the AEP

¹Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, and Wheeling Power Company.

Operating Companies. AEP requested a June 1, 2005 effective date for the proposed rates.

2. On May 31, 2005, following the filing of motions to intervene and protests by several parties, the Commission issued an Order Accepting and Suspending Proposed Tariff Revisions, Subject to Refund, and Establishing Hearing Procedures. In that Order, the Commission, among other things, accepted AEP's proposed rates for filing and suspended the rates for five months, giving the rates an effective date of November 1, 2005.

3. Following a prehearing conference and several informal settlement conferences, AEP and several intervenors (the "Parties to the Settlement")² have reached a settlement in this case. Briefly, with respect to the rates to be implemented as a result of this case, AEP and the Settling Parties have agreed that there will be a three-phase increase in AEP's East Zone transmission rates beginning November 1, 2005:

a. The Phase 1 monthly rate for Firm Point-to-Point and Network Integration Transmission Service (for the term November 1, 2005 through March 31, 2006) will be a stated unit rate of \$1,081.06/MW-month. This rate will be used to calculate the rates for firm service of longer and shorter duration, e.g., Yearly = Monthly times 12, Weekly = Yearly/52, Daily On-Peak = Weekly/5, Daily Off-Peak = Weekly/7. The rates for Monthly, Weekly and Daily Non-Firm Point-To-Point transmission service will be up to the corresponding rates for Firm service. The On-

² The Parties to the Settlement include AEP, Blue Ridge Power Association, Old Dominion Electric Cooperative, AEP Intervenor Group, Buckeye Power, Inc., Ormet Primary Aluminum Corporation, AMP-Ohio, Wabash Valley Power Association, Inc., Indiana Municipal Power Agency, City of Dowagiac, Michigan, and City of Sturgis, Michigan.

Peak and Off-Peak rates for Hourly Non-Firm Point-to-Point service will be up to the rate for Firm Daily On-Peak/16, and Firm Daily Off-Peak/24, respectively.

b. The Phase 2 monthly rate for Firm Point-to-Point and Network Integration Transmission Service (for the term beginning April 1, 2006 to the effective date of the Phase 3 rates described below) will be a stated unit rate of \$1,621.40/MW-month. The rates for Firm and Non-Firm service of other durations will be calculated based on the monthly rate consistent with the formulas contained in 3.a above.

c. The Phase 3 monthly rate for Firm Point-to-Point and Network Integration Transmission Service will be a stated unit rate of \$1,757.40/MW-month. The rates for Firm and Non-Firm service of other durations will be calculated based on the monthly rate consistent with the formulas contained in 3.a above. The Phase 3 rates shall take effect the later of August 1, 2006, or the first day of the month following the month in which AEP's new Wyoming-Jackson's Ferry transmission line enters service.

d. In addition to the rates for transmission service illustrated in 3. a, b and c, above, the Settlement Agreement also specifies rates for ancillary services (Schedules 1A and 2), and for recovery of AEP's RTO formation costs. AEP requests that those rates also be permitted to become effective as of November 1, 2005.

4. Due to the work involved in finalizing the Settlement Agreement, as well as work involved in finalizing the tariff sheets for filing, the Settlement Agreement was not filed prior to the November 1, 2005 effective date for AEP's new rates. The Settlement Agreement, as well as the relevant tariff sheets reflecting the terms of that agreement, has been filed this day with the Commission.

5. AEP requests that the rates contained in the Settlement Agreement - rather than the rates contained in the March 31, 2005 filing - be permitted to go into effect while the Commission is reviewing the Settlement Agreement and that those rates be given an effective date of November 1, 2005.

6. Good cause exists to permit AEP to implement the rates contained in the Settlement Agreement pending the Commission's review of the settlement documents. The changes to the rate schedules resulting from the settlement are lower than the rates the Commission has previously determined would go into effect on November 1, 2005. Consequently, substituting the settlement rates for previously filed rates will harm no party to this matter. Further, the requested relief will also simplify PJM's billing processes since allowing the settlement rates to go into effect now would permit PJM to bill its customers correctly rather than knowingly bill them an incorrect amount and then later pay refunds for the difference. The Commission can grant the relief requested in this Motion without limiting interested parties' opportunity to comment on the settlement documents contemporaneously filed with this Motion.

7. AEP requests that the Commission shorten the time allowed for parties to respond to this motion to 7 days from the date of filing. Because the requested relief would allow AEP to implement a rate change that decreases rates that the Commission

has already permitted to go into effect, AEP does not expect objections to this Motion. AEP desires expedited consideration of this Motion so that PJM billing personnel will know as soon as possible how to bill transmission customers in the AEP East Zone.

WHEREFORE, for the foregoing reasons, AEP requests leave to implement rates contained in the Settlement Agreement filed with the Commission on the date hereof, pending the Commission's review of that filing. AEP also requests that the Commission consider this Motion on an expedited basis.

Respectfully submitted,



Kevin F. Duffy
Sandra K. Williams
American Electric Power
Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
Telephone: (614) 716-1617
FAX: (614) 716-2950

Dated November 7, 2005

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Motion to Put Tariff Changes into Effect on an Expedited Basis filed by American Electric Power Service Corporation was served upon the parties to this proceeding this 7th day of November 2005.


Sandra K. Williams

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT __ (SJB-9)

OF

STEPHEN J. BARON

Kentucky Power Company
Network Transmission Revenues at Going-Level
Projected Post-2004 AEP OATTS Rate Effective 8/1/05

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	7 mos. Jan-Jul
1 Actual PTP Rev Credits to AEP Zone	\$ 35,611	\$ 3,849	\$ 3,600	\$ 16,235	\$ 20,079	\$ 31,400	\$ 30,742	\$ 141,595
2 PJM Non-Firm PTP with POD in AEP Zone	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,467	\$ 16,783	\$ 5,541	\$ 28,476
3 PJM Firm PTP with POD in AEP Zone	\$ 37,031	\$ 5,269	\$ 5,020	\$ 17,655	\$ 21,545	\$ 46,269	\$ 36,282	\$ 171,072
4 In-Zone PTP Revenue Received (L2+L3)	\$ 441,985	\$ 277,755	\$ 269,002	\$ 224,128	\$ 225,417	\$ 224,635	\$ 336,636	\$ 1,898,589
5 PJM Firm PTP (Border Revenues)	\$ 230,024	\$ 189,819	\$ 248,281	\$ 247,432	\$ 244,035	\$ 244,035	\$ 264,051	\$ 1,861,712
6 PJM Non-Firm PTP (Border Revenues)	\$ 672,018	\$ 467,574	\$ 517,283	\$ 462,189	\$ 472,849	\$ 468,670	\$ 600,667	\$ 3,661,270
7 Border PTP Revenue Received (L5+L6)	\$ 709,059	\$ 472,843	\$ 522,303	\$ 479,844	\$ 494,394	\$ 516,939	\$ 636,969	\$ 3,832,342
8 Actual PTP Revenue Credits Jan - Jul 2005								
9 Actual % of PJM Point-to-Point Revenue To AEP	21.02105%	21.02106%	21.02106%	21.02106%	19.22846%	19.22846%	19.22846%	19.22846%
10 % of Point-to-Point Revenue To AEP after August 1, 2005	24.92043%	24.92043%	24.92043%	24.92043%	24.92043%	24.92043%	24.92043%	24.92043%
11 Projected PTP Rev Credits to AEP Zone	\$ 44,072	\$ 4,764	\$ 4,455	\$ 20,092	\$ 24,849	\$ 35,960	\$ 38,046	\$ 173,239
12 PJM Non-Firm PTP with POD in AEP Zone	\$ 1,757	\$ 1,757	\$ 1,757	\$ 1,757	\$ 1,815	\$ 20,778	\$ 6,857	\$ 36,480
13 PJM Firm PTP with POD in AEP Zone	\$ 45,639	\$ 6,521	\$ 6,213	\$ 21,859	\$ 26,855	\$ 59,738	\$ 44,803	\$ 211,719
14 In-Zone PTP Revenue at Est. 8/1/05 PTP Rate	\$ 529,972	\$ 328,278	\$ 318,901	\$ 265,703	\$ 292,130	\$ 291,116	\$ 436,264	\$ 2,467,365
15 PJM Firm PTP (Border Revenues)	\$ 272,704	\$ 225,030	\$ 284,337	\$ 282,221	\$ 320,659	\$ 316,257	\$ 342,197	\$ 2,053,405
16 PJM Non-Firm PTP (Border Revenues)	\$ 796,677	\$ 553,308	\$ 613,238	\$ 547,924	\$ 612,789	\$ 607,374	\$ 778,460	\$ 4,510,770
17 Border PTP Revenue with Est. 8/1/05 Rev. Req.	\$ 842,307	\$ 560,829	\$ 619,451	\$ 599,774	\$ 639,454	\$ 667,112	\$ 823,354	\$ 4,722,489
18 Going-Level AEP Zone PTP Rev @ Est. 8/1/05 Rates	\$ 85%	86%	86%	86%	86%	86%	86%	86%
19 AEP LSE Percentage	\$ 724,558	\$ 482,313	\$ 532,728	\$ 490,006	\$ 549,930	\$ 573,716	\$ 708,093	\$ 4,061,340
20 AEP LSE Portion of Zonal PTP Revenue	\$ 0.07539	\$ 0.07389	\$ 0.07389	\$ 0.07389	\$ 0.07389	\$ 0.07389	\$ 0.07389	\$ 0.07389
21 KPCo MLR	\$ 54,616	\$ 35,637	\$ 39,362	\$ 36,205	\$ 46,833	\$ 42,391	\$ 52,341	\$ 301,165
22 KPCo PTP Revenue Share								
23 Projected PTP Rev Credits to AEP Zone	\$ 38,960	\$ 24,849	\$ 20,092	\$ 4,455	\$ 4,764	\$ 93,121	\$ 266,359	\$ 84,346
24 PJM Non-Firm PTP with POD in AEP Zone	\$ 20,778	\$ 1,815	\$ 1,757	\$ 1,757	\$ 1,757	\$ 27,866	\$ 8,434	\$ 43,205
25 PJM Firm PTP with POD in AEP Zone	\$ 59,738	\$ 26,695	\$ 21,850	\$ 6,213	\$ 6,521	\$ 120,986	\$ 332,705	\$ 1,411,141
26 In-Zone PTP Revenue at Est. 8/1/05 PTP Rate	\$ 291,116	\$ 292,130	\$ 265,703	\$ 318,901	\$ 329,279	\$ 1,497,129	\$ 1,497,129	\$ 3,854,483
27 PJM Firm PTP (Border Revenues)	\$ 316,257	\$ 320,659	\$ 282,221	\$ 294,337	\$ 225,030	\$ 1,436,504	\$ 1,436,504	\$ 3,491,909
28 PJM Non-Firm PTP (Border Revenues)	\$ 607,374	\$ 612,789	\$ 547,924	\$ 613,238	\$ 554,309	\$ 2,936,632	\$ 2,936,632	\$ 7,446,402
29 Border PTP Revenue with Est. 8/1/05 Rev. Req.	\$ 667,112	\$ 639,454	\$ 619,451	\$ 599,774	\$ 619,451	\$ 3,056,618	\$ 3,056,618	\$ 7,779,107
30 Going-Level AEP Zone PTP Rev @ Est. 8/1/05 Rates	\$ 86%	86%	86%	86%	86%	86%	86%	86%
31 AEP LSE Percentage	\$ 573,716	\$ 549,930	\$ 490,006	\$ 532,728	\$ 482,313	\$ 2,628,092	\$ 2,628,092	\$ 6,680,032
32 AEP LSE Portion of Zonal PTP Revenue	\$ 0.07183	\$ 0.07183	\$ 0.07183	\$ 0.07183	\$ 0.07183	\$ 0.07183	\$ 0.07183	\$ 0.07183
33 KPCo MLR	\$ 41,384	\$ 38,504	\$ 35,200	\$ 38,266	\$ 34,947	\$ 189,003	\$ 460,166	\$ 1,073,277
34 KPCo PTP Revenue Share								
As Filed							\$ 480,461	\$ 480,461
Difference							\$ 25,727	\$ 25,727

**Kentucky Power Company
Network Transmission Revenues at Going-Level
Projected Post-SECA AEP OATT NTS Rate Effective 8/1/06**

<u>Month</u>	<u>Days</u>	<u>Non-Affiliate NTS Billing Demand</u>	<u>Non-Affiliate NTS Monthly Revenue @ Est. 8/1/06 Rate</u>	<u>KPCo MLR</u>	<u>KPCo Share NTS Revenue</u>
January	31	3,119.22	\$ 5,586,846	0.07538	421,125
February	28	3,119.22	\$ 5,046,184	0.07389	372,851
March	31	3,119.22	\$ 5,586,846	0.07389	412,800
April	30	3,119.22	\$ 5,406,625	0.07389	399,484
May	31	3,119.22	\$ 5,586,846	0.07389	412,800
June	30	3,119.22	\$ 5,406,625	0.07389	399,484
July	31	3,119.22	\$ 5,586,846	0.07392	412,970
August	31	3,119.22	\$ 5,586,846	0.07213	402,997
September	30	3,119.22	\$ 5,406,625	0.07183	388,385
October	31	3,119.22	\$ 5,586,846	0.07183	401,331
November	30	3,119.22	\$ 5,406,625	0.07183	388,385
December	<u>31</u>	<u>3,119.22</u>	<u>\$ 5,586,846</u>	<u>0.07183</u>	<u>401,331</u>
Total	365	37,430.64	\$ 65,780,607	0.07318	\$ 4,813,943
As Filed					\$ 4,441,405
Adjustment					\$ <u>372,538</u>

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENTS IN)	
ELECTRIC RATES OF	)	CASE NO.
KENTUCKY POWER COMPANY	)	2005-00341

EXHIBIT__(SJB-10)

OF

STEPHEN J. BARON

Kentucky Power Company
Forecasted Net Cogestion Costs

FTR Revenue Forecast for 2006

19.28% Reduction in FTR revenue due to Wyoming - Jackson Ferry 765 kV

Account	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
AEP Internal	18,623,793	18,623,793	18,623,793	18,623,793	18,623,793	15,033,125	15,033,125	15,033,125	15,033,125	15,033,125	15,033,125	15,033,125	198,360,840
96% Received	17,878,841	17,878,841	17,878,841	17,878,841	17,878,841	14,431,800	14,431,800	14,431,800	14,431,800	14,431,800	14,431,800	14,431,800	190,416,806
KPCo MLR (7.413%)	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	
KPCo LSE Share	1,325,358	1,325,358	1,325,358	1,325,358	1,325,358	1,069,829	1,069,829	1,069,829	1,069,829	1,069,829	1,069,829	1,069,829	14,115,598

Congestion Cost Forecast for 2006

29.66% Reduction in congestion cost due to Wyoming - Jackson Ferry 765 kV

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
AEP Internal	12,195,956	12,195,956	12,195,956	12,195,956	12,195,956	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	121,030,229
Total	12,195,956	12,195,956	12,195,956	12,195,956	12,195,956	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	8,578,636	121,030,229
KPCo MLR (7.413%)	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	0,07413	
KPCo LSE Share	904,086	904,086	904,086	904,086	904,086	635,934	635,934	635,934	635,934	635,934	635,934	635,934	8,971,971

Net Congestion Cost

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
Total AEP	(6,427,836)	(6,427,836)	(6,427,836)	(6,427,836)	(6,427,836)	(6,454,490)	(6,454,490)	(6,454,490)	(6,454,490)	(6,454,490)	(6,454,490)	(6,454,490)	(77,320,611)
Total w/96%	(5,682,885)	(5,682,885)	(5,682,885)	(5,682,885)	(5,682,885)	(5,853,165)	(5,853,165)	(5,853,165)	(5,853,165)	(5,853,165)	(5,853,165)	(5,853,165)	(69,386,577)
KPCo Net MLR Amount	(421,272)	(421,272)	(421,272)	(421,272)	(421,272)	(433,895)	(433,895)	(433,895)	(433,895)	(433,895)	(433,895)	(433,895)	(5,143,627)
As Filed Net Congestion Costs													(3,002,352)
Difference													<u>(2,141,275)</u>